



## Preserving Consumer Choice and Innovation in Air Travel

January 17, 2018

*Farelogix presentation for*

*Directorate General for Competition – Unit F-1 – Antitrust – Transport & Post*

*Jim Davidson, President & Chief Executive Officer  
Edna Lopez, Chief Legal Counsel*



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## WHO IS FARELOGIX?

FARELOGIX

Farelogix is

- A provider of leading and innovative airline commerce solutions, whose sole focus is providing technology for new generation airline distribution and commerce
- The originator of the baseline industry schema for IATA New Distribution Capability (NDC).
- Provider of technology for several of the world's largest airlines including American, Lufthansa Group, Emirates, Delta, United, Virgin Atlantic, Air Canada, Hawaiian, Alaska Airlines and WestJet



Headquarters: Miami, Florida

Employees: 197 as of Jan 2018

Farelogix is not a GDS.

- Airlines are our only customers; No travel agency subscribers
- Not a content source
- Airline retains control of the products, determines who can access the products, and can even host the technology without Farelogix involvement



## OLD VERSUS NEW

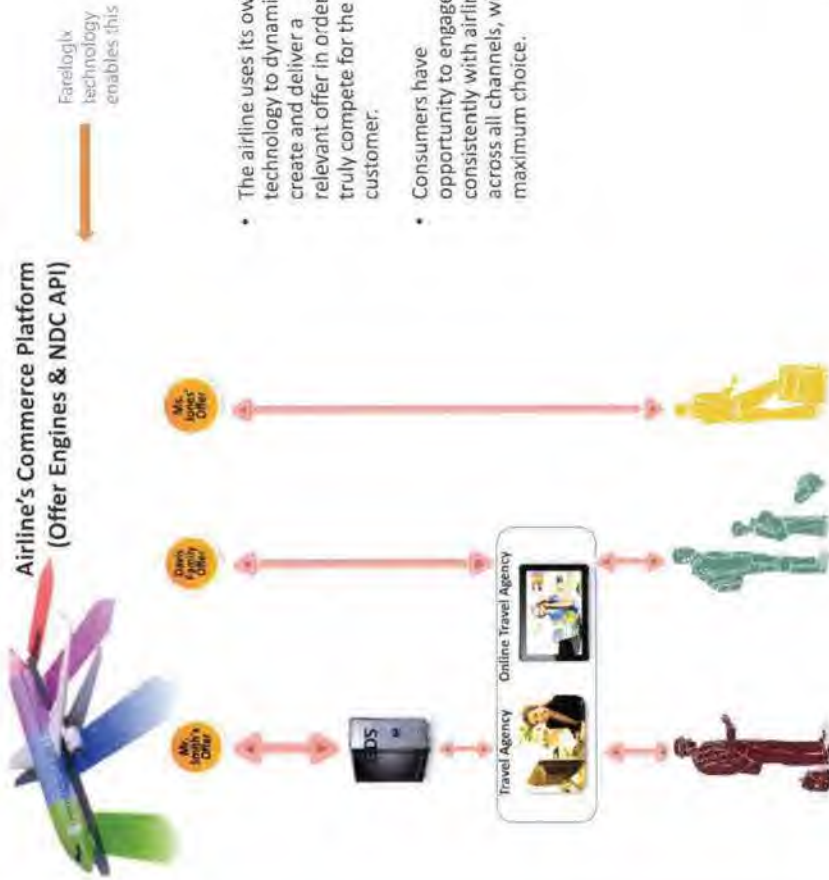
### Traditional Distribution (GDS Creates Offer)



- Offers are manufactured by the GDS using a few static data elements.
- The airline doesn't know who the traveler is until after the sale is made.
- Consumers are denied many choices available on airline.com.

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### NDC Distribution (Airline Creates Offer)



- The airline uses its own technology to dynamically create and deliver a relevant offer in order to truly compete for the customer.
- Consumers have opportunity to engage consistently with airline across all channels, with maximum choice.



## USING FARELOGIX TECHNOLOGY FOR NDC, THE AIRLINE – NOT THE INTERMEDIARY – IS IN CONTROL

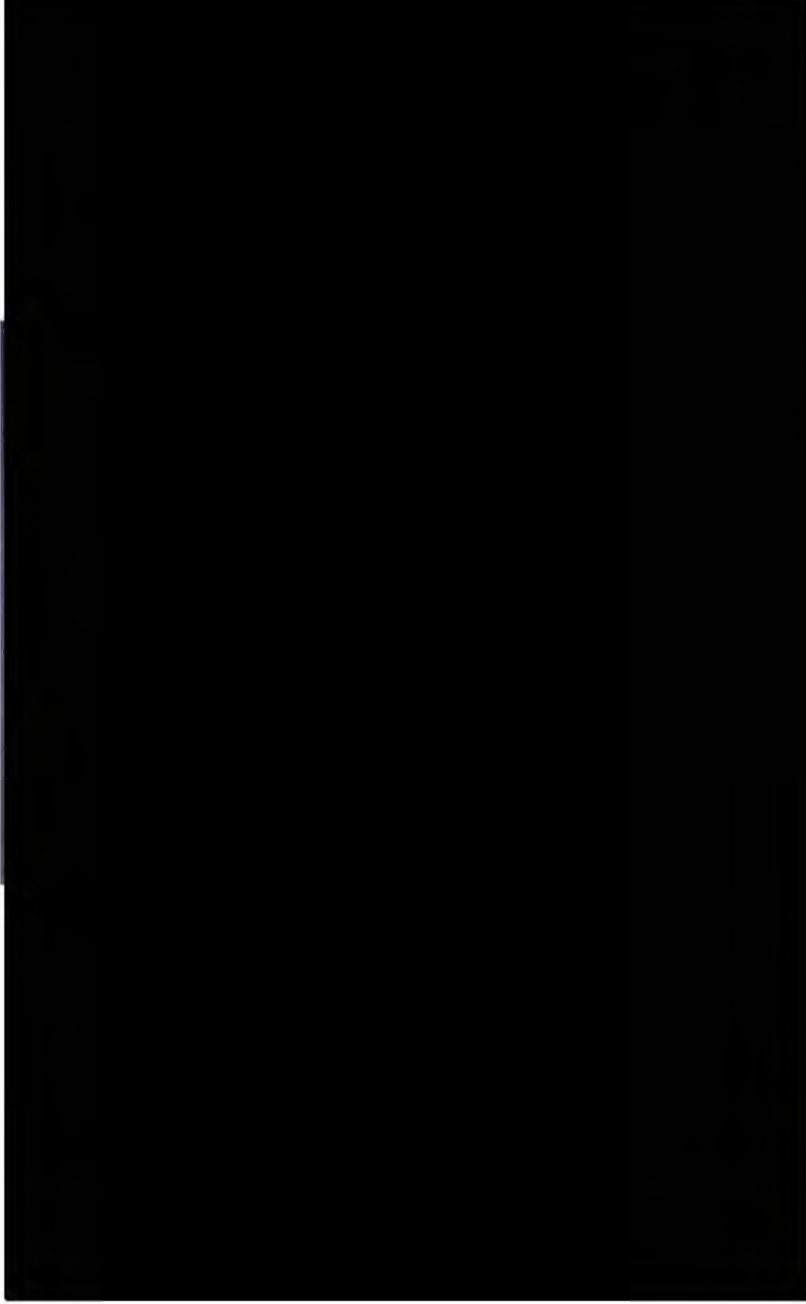
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1. Airlines create their offers using engines they control.
  - Shopping
  - Pricing
  - Merchandising
2. Airlines deliver their offer and orchestrate subsequent orders via an NDC API.
3. Airlines determine which users can access their API.
  - TMCs
  - OTAs
  - GDSs
  - Tech providers
  - Meta search
  - Airline.com (consumer website)
4. Farelogix has no control over what airline content is displayed to the agent/consumer.
  - Farelogix has no commercial relationship with travel agents; the relationship is between the airline and the agents



NDC DISTRIBUTION EXAMPLE: AIRLINE OFFERS TRAVEL AGENCY PORTAL (BRANDED SPRK)

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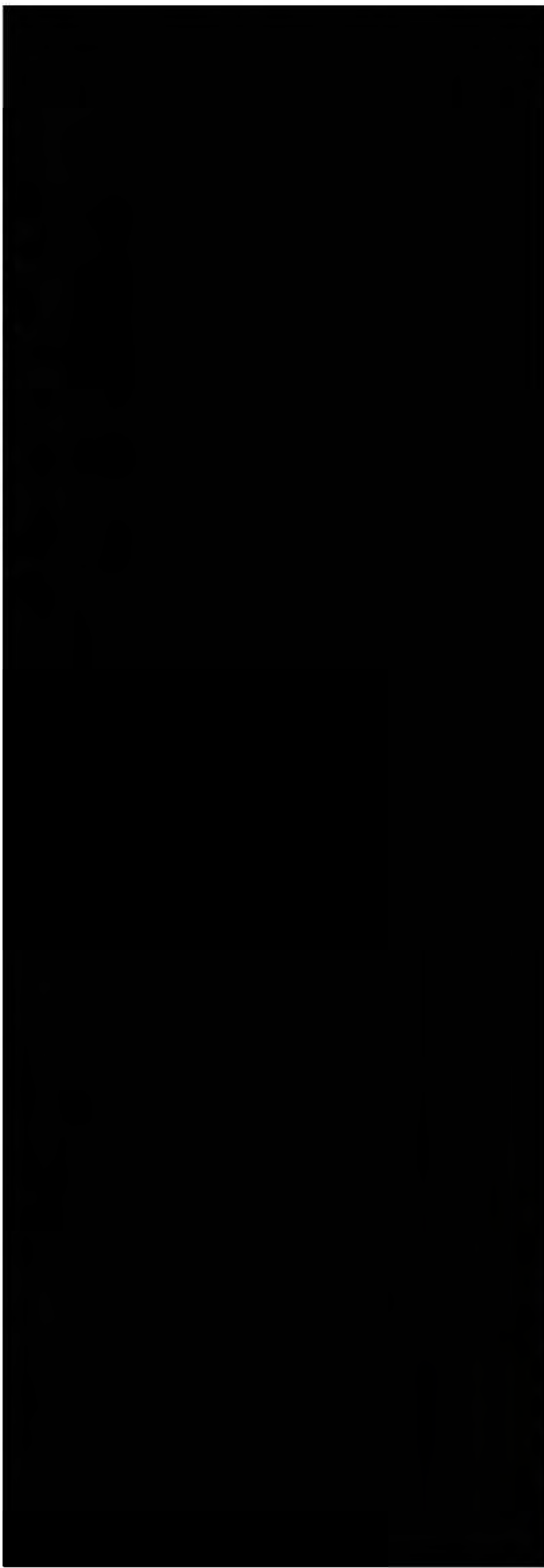


NDC DISTRIBUTION EXAMPLE #1: OTA CONSUMES AIRLINE API

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**OTA displays flight results**

**OTA call center sees same results using  
airline-branded agency UI**



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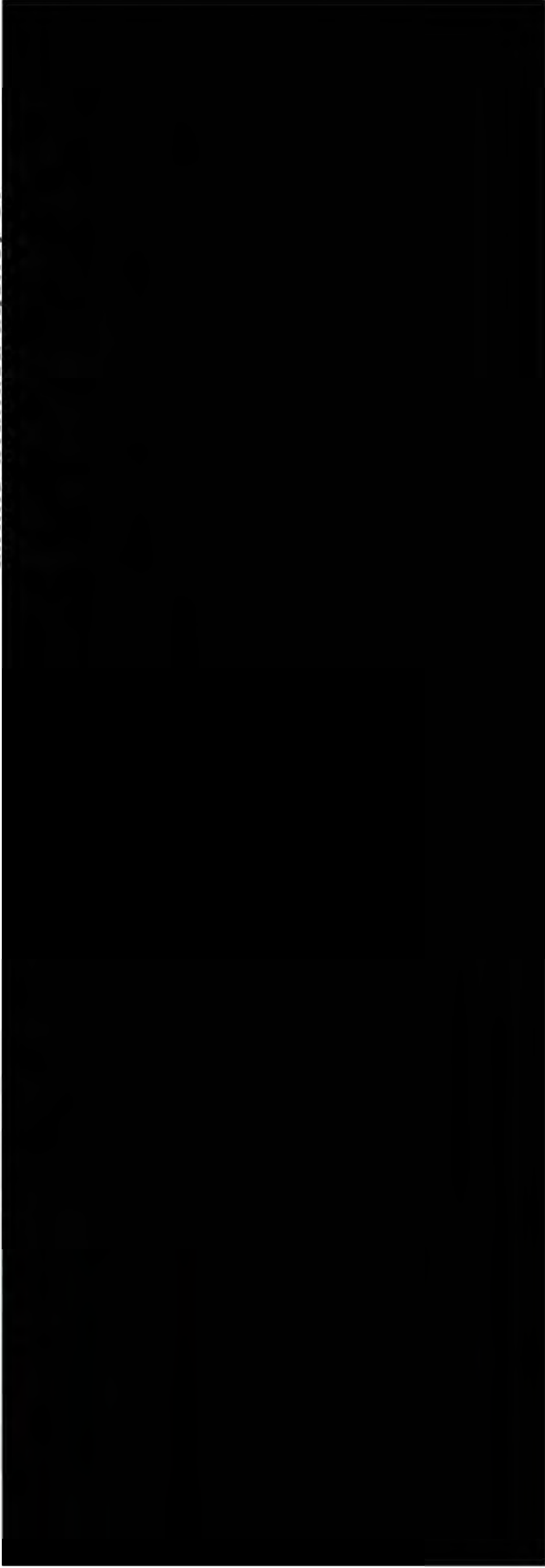
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NDC DISTRIBUTION EXAMPLE #2: OTA SELLS PREMIUM SEATS

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**OTA displays seat choices**



**OTA call center sees same choices using  
airline-branded agency UI**

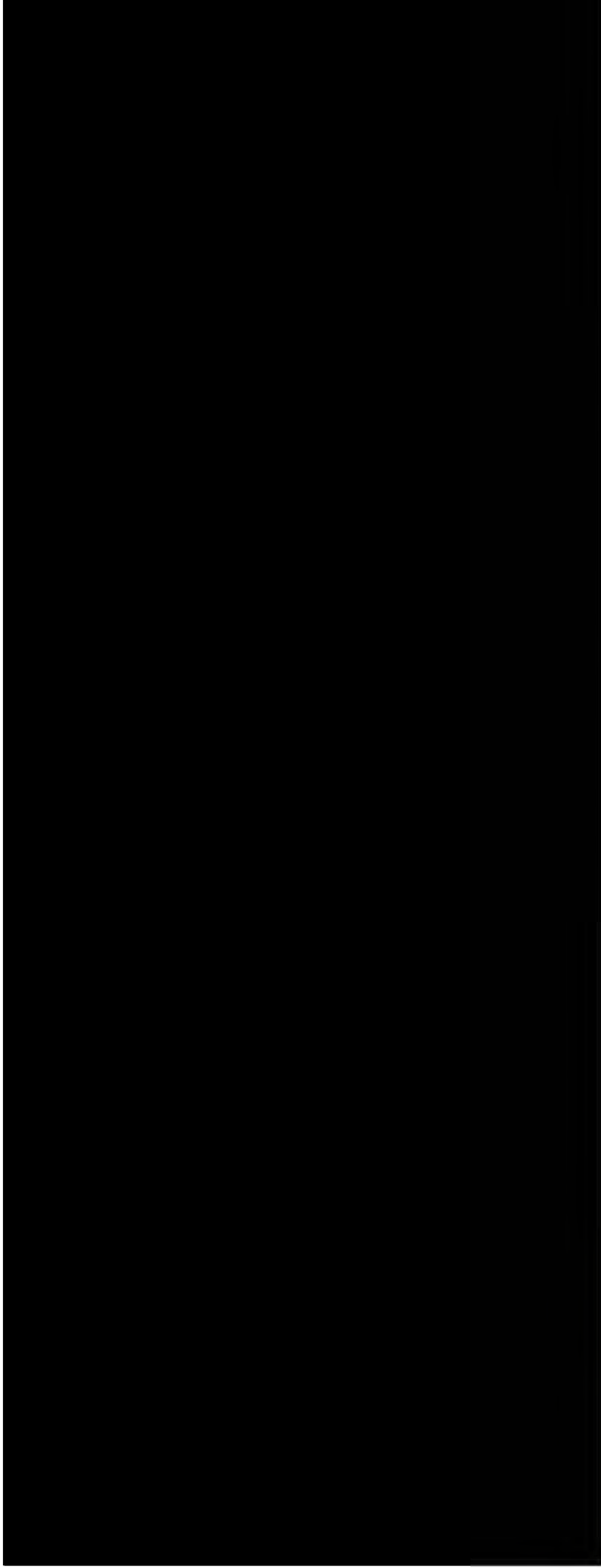


NDC DISTRIBUTION EXAMPLES: CONSUMER CHOICE AND CONVENIENCE

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**Choose your service bundles**

**Self-service customer recovery**

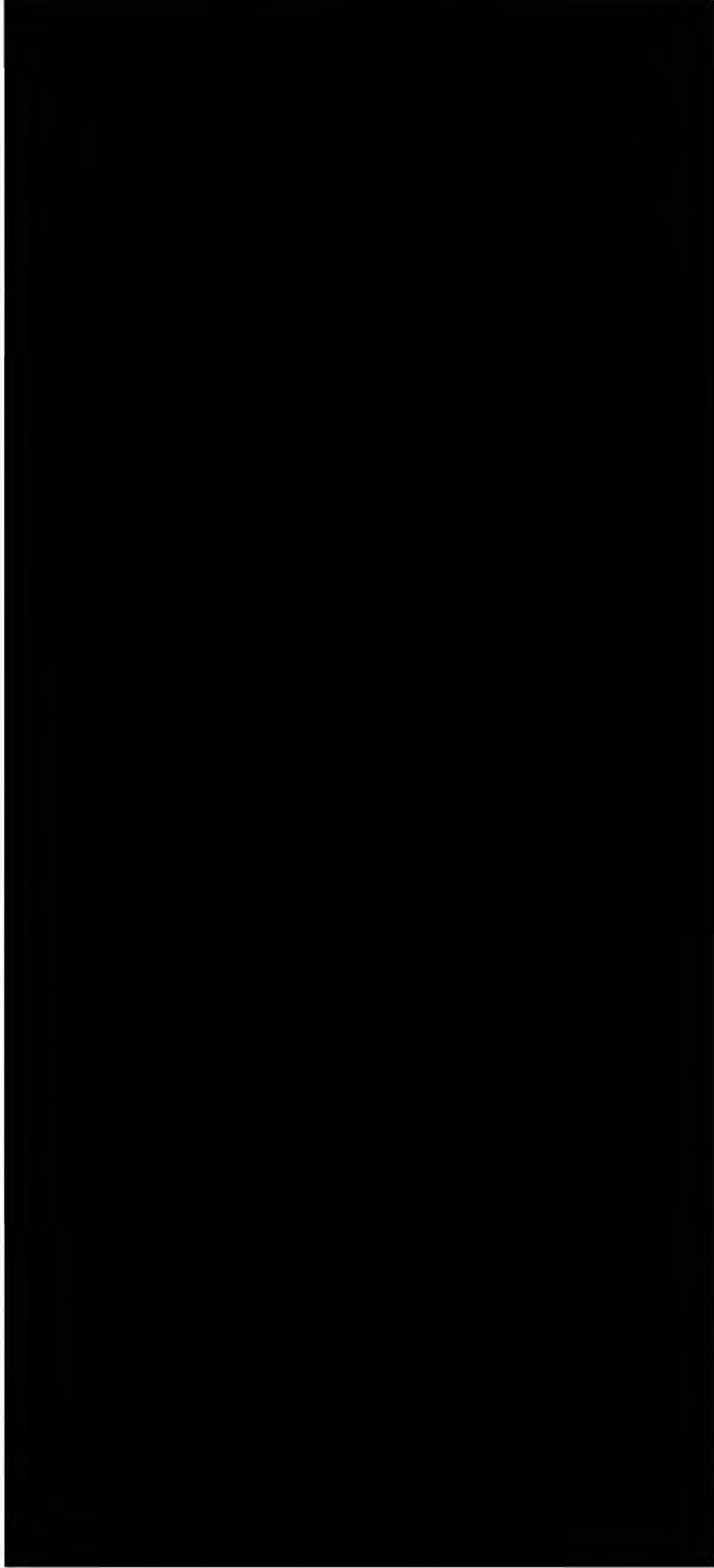






AIRLINES CONTROL THEIR OFFERS USING A RULES DESIGNER AND AIRLINE-MANAGED "OFFER ENGINES"

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## WHY ARE WE HERE?

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- **Consumer expectations regarding the process of buying air travel have significantly changed.**
- **For over 60% of consumers, choice and shopping experience is severely limited by legacy air travel intermediaries and their distribution models.**
- **GDSs continue to leverage significant market power to preserve their market position and stifle innovation.**



WHY ARE WE HERE?

FARELOGIX

## **Consumer expectations regarding the process of buying air travel have significantly changed.**

- Travelers want more choices, as evidenced by the 264% increase in air ancillary revenue since 2010.\*
- Hyper-connected consumers expect personalized real-time engagement "anytime anywhere."

\*According to IdealWorks Company, ancillary revenue has increased from \$22.6B in 2010 to \$62.2B in 2018 - a 264% increase or almost 4 times as much as 2010 (\$6 to be exact)

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## WHY ARE WE HERE?

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For over 60% of consumers, **choice and the air shopping experience is severely limited by legacy air travel intermediaries and their distribution models.**

### GDS companies

- The GDSs failed to make needed investment in their own platforms to meet consumer needs. As a result, a full decade after airline ancillaries were introduced, GDSs are facing a persistent and widening gap between what is available to travel agencies and the capabilities of airline websites.
- GDSs consistently seek to block new non-GDS technology solutions that deliver what consumers need.
- PSS and GDS contract limitations that effectively prohibit working with third parties or make doing so cost prohibitive.
- No meaningful adoption of NDC, through the GDS despite public overtures to the contrary (see recent articles).

### Travel agencies/OTAs

- Remain loyal to the GDS because of
  - dependency on GDS incentive payments
  - ignorance of actual GDS limitations, and
  - unwarranted concerns about cost of transition to NDC (see article)
- The effect is to prop up an outdated distribution model to the detriment of consumers, who are denied choice and competitive shopping experiences.



## WHY ARE WE HERE?

FARELOGIX

### **GDSs continue to leverage significant market power to preserve their market position and stifle innovation.**

- The GDS oligopoly controls both airline internal systems and the airline's distribution structure.
- Onerous contracts with both travel agencies and airlines preserve the status quo.
  - GDS contracts demand party/MFN/non-discrimination clauses and limit use of third parties (e.g. "convenience fee")
  - PSS contracts restrict connectivity and/or use of airline's own inventory data; 3<sup>rd</sup> party solutions cost-prohibitive or not allowed
  - OTA-GDS contracts require GDS approval to use third party software/solutions
- Even the world's largest and most powerful airlines cannot break the oligopoly power on their own.
  - Requires or risks extensive and expensive anti-trust litigation (e.g. AA, US, LHG)
    - Litigation filings revealed Sabre's strategy to "shut down Farelogix"
    - Attempts to constrain innovation by drawing false parallels between airline software vendors and GDS companies (LH-Sabre)
  - Airlines are incurring significant costs to have the freedom to compete for customers
    - Pay full "rack rate" to the GDS to break full content agreements
    - Resort to cost recovery fees to offset higher GDS costs, enabling adoption of newer technology (e.g. LHG, IAG, AF)

GDS market: Amadeus 42.4%, Sabre 26.4%, Travelport 15.1%,  
PSS market: Amadeus 45%, Sabre 15%

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13

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## GDS AND DISTRIBUTION INNOVATION: A DECADE OF RESISTANCE AND CHANGING TACTICS

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- 2010: **Punish** airlines that try
  - AA versus Sabre (settled)
  - US versus Sabre (lost)
- 2011-2013: **Lobby** against new industry standards
  - Open Allies and other groups fought against IATA NDC (lost when NDC passed in 2013)
- 2014-2018: **Undermine and delay** NDC even if embracing it on the surface
  - All three GDS have been publicly pro-NDC especially in recent months...but in reality their strategies are to:
    - Introduce fear, uncertainty and doubt (e.g. "Amadeus CEO: NDC a complex investment," TNCOZ Nov 3 2017)
    - Delay (American Airlines implementation with all GDS has been in progress for 2+ years and will still not be done in 2018)
    - Try to legally stop it (e.g. LH-Sabre attempts to invalidate airline "cost recovery strategy")
    - Less willingness to augment content (i.e. accept NDC) for existing airline customers versus taking APIs from LCCs/other suppliers not already in the GDS.



## LOOKING AHEAD: 2018 AND BEYOND

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- The gap continues to widen between what is available to consumers on airline websites versus purchased through intermediaries
- New entrant investment can only happen for so long without an ROI

Without intervention, innovation and competition will continue to be stifled.  
Consumers will pay the price.



FARELOGIX

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## ADDENDUM





## ADDENDUM TABLE OF CONTENTS

FARELOGIX

- Articles – GDSs and NDC
- Articles – Travel Sellers and NDC
- AA-Sabre trial excerpts
- Additional NDC distribution examples
- Farelogix Airline Commerce Gateway



Travelport is first GDS to receive Level 3 NDC certification from IATA

It became the first GDS to be certified as a Level 3 aggregator under IATA's New Distribution Capability initiative.

NDC is intended to create a new distribution standard for the airline industry that would facilitate merchandising, personalization and other innovations.

Travelport will work with airline technology specialist Farelogix to implement the first such NDC connection with a major global airline, which will be revealed "soon," the company said.

Travelport also worked with [American Airlines](#) ahead in Pittsburgh, Pa., to prepare for the certification.

Travelport was the first travel commerce platform to be granted Aggregate Level 1 certification for its GDS and IT Provider Level 2 status by IATA in November 2016 and February 2017, respectively. Level 3 is the highest certification IATA awards to companies that can demonstrate the ability to interconnect other and other technologies.

Derek Sharp, senior vice president and managing director of air commerce for Travelport, noted that the company already connects travel buyers to more than 200 ancillary products through ATPCO, its also has an "extensive" set of existing API connections and tools for critical workflows, sending and synchronization, he said.

Travelport's latest NDC certification is something of a watershed moment for the evolution of NDC. While the tool was first introduced in 2013, the GDS companies saw it as a means of direct distribution that would bypass their systems.

Their negotiations were not entirely without merit. Some airlines had backed the initiative and have GDS options in mind, and NDC's introduction was accompanied by a chorus of criticism aimed at the GDS model. But the voice has ceased, and the GDSs have become an integral part of NDC's development.

Yanik Hoyle, IATA's director of the NDC program, said "GDSs are a fundamental business partner for NDC to drive significant volumes. For that reason, we welcome Travelport as the first GDS to become NDC Level 3 certified as an aggregator. As a certified aggregator, Travelport will now be able to bring NDC to their existing customer base and broaden the scope to a wider range of airlines."



### Sabre to sell American seat upgrades via NDC-based standards

**Sabre**, the global distribution system (GDS), said today that it had begun to sell **American** upgraded seat products using technology based on the **New Distribution Capability (NDC)** standards.

Sabre tells **tnooz** this is a phased roll out that started on Feb. 2 and will go through mid-February.

**Exotel**, as a technology provider to American, provides the paid seats functionality through the AA Direct Connect API.

Sabre sends the data through its Air Extras solution, which first appeared in 2008 and which lets airlines spotlight ancillaries to the more than 435,000 agents that today use Sabre for ticket processing.

Passengers pay additional fees for the products — Main Cabin Extra (which primarily provide extra legroom) and Preferred Seats (which mainly offer the most sought-after seat locations in an aircraft).

This is a first for Sabre using NDC-based tech standards. But Sabre notes it already has about 60 carriers selling ancillary services through its solutions in its marketplace. It expects the number of airlines participating to “increase significantly this year.”

When NDC standards were first mooted, Sabre had joined other GDSs in expressing skepticism and concern about their initial conception and usefulness. It publicly changed its tune over NDC in 2014, falling into line with its GDS rivals Amadeus and Travelport in offering qualified support. Its GDS rival Amadeus has worked with United on NDC-based products, and Travelport has signed up more than 100 carriers to its merchandising technology.

Sabre and American have had a **longstanding relationship** in the past decade (despite the airline having founded the company decades ago). The new deal signals a closer relationship between the two companies.

1/12/2018

Amadeus CEO: NDC a complex investment, Travel Weekly

# TRAVEL WEEKLY

The Travel Industry's Focused Voice

[Technology](#)

## Amadeus CEO: NDC a complex investment

By [Liam Heston](#), November 03, 2017

Advancing Amadeus' certification level in IATA's New Distribution Capability (NDC) comes at a cost, but Amadeus is no stranger to technology expenditures, CEO Luis Maroto said.

"There will be costs, yes," Maroto said during the company's annual earnings call today. "This is an investment and it is complex."

NDC is a new set of technological standards for how airlines provide airline content to distributors.

However, Maroto said it is not unlike other technology investments his company has made over the years, and that Amadeus is already working with airlines on NDC standards.

"There will be investments done by the different GDSs to try to optimize the flows with the airlines and the flows with the travel agencies, because at the end, NDC – which is just a pure technology evolution – could be beneficial to all the parties if we find the right way of supporting all the parties," he said.

Amadeus is already Level 3 certified as an IT provider, but its GDS business is on track to gain Level 3 certification as an aggregator in 2018. That timeline is in line with recent NDC updates from other GDSs.

Both Sabre (<http://www.traveltoday.com/TravelNews/TravelTechnology/Sabre-Set-2018-Bookings-Commitment-Target>) and Travelport (<http://www.travelport.com/TravelNews/TravelTechnology/Travelport-Set-2018-Bookings-Commitment-Target>) said this week they, too, will likely be Level 3 certified in 2018 (for Travelport, the end of 2017 is a possibility).

In the third quarter, Amadeus reported an 8.9% revenue increase, to 3.7 billion euros.

# TRAVEL SELLERS AND NDC



Issue 497 | 21st, 2018



## Two U.K. TMCs Go Direct With Lufthansa

Lufthansa Group has reinforced its technology-led distribution system by forming connections with independent travel agencies. Both British Airways and British Airways Holidays are now able to sell tickets to British Airways.

Lufthansa's distribution system is a complex, multi-layered system. The Travel Agents Association (TAA) has been established to help travel agents understand the system and to provide a platform for them to voice their concerns.

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in order to remain directly competitive in the UK has replaced a variety of independent agents and exclusively focused TMCs with a focus on direct sales through the UK.

British Airways Holidays (BAH) and British Airways (BA) are now direct sales through the UK. This is a significant move for both airlines and travel agents.

Chris, Travel Executive Chairman of British Airways, said: "This move is a significant step for British Airways and British Airways Holidays as it allows us to sell tickets directly through the UK."

British Airways Chairman and CEO, Willie Walsh, said: "This move is a significant step for British Airways and British Airways Holidays as it allows us to sell tickets directly through the UK."

"We are already engaged in a range of digital services including Multi-city and Transitions. This move is a significant step for British Airways and British Airways Holidays as it allows us to sell tickets directly through the UK."

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However, the extent to which simplification will be achieved by the intended standardization of API connectors through NDC is a moot point. McLean estimated that using an NDC adapter only saves 20 percent of the work needed for each new airline API adopted by his company.

Nevertheless, Clark Travel is actively pursuing more APIs. "We have another airline following directly and we're others in the pipeline," said McLean.

Similarly, Bonanza Travel holds a B77W in October 2016, just days before announcing its merger with Clarity Travel, that it was looking closely at British Airways' NDC offering.

As for Lufthansa's next steps, other agencies are in the process of evaluating and implementation of API-based distribution.

"Lufthansa key account managers are involving more and more into distribution consultants," noted Kuebler. Lufthansa has carried two online booking tools—Amadeus-owned Cylix through Amadeus-owned passenger service system Altea, and Gurnam's OneKey via Farelogix—and is "in the planning phase" with a few more direct corporate clients, following connections to Somerset and Volksweper in 2016.

"If all you want is the price in API and API in terms of quality," said McLean. "You are getting that party with a more complex."

A further cautionary note is the use of data science. McLean explains that many of the airlines that have an interest in API are looking for ways to improve their data and to improve their data analysis and to improve their data analysis.

McLean is especially focused on data science in relation to pricing and customer experience. He is looking for ways to improve the way airlines use data to improve their customer experience and to improve their customer experience.

The IATA's current focus is on the implementation of a new API-based distribution system. This is a significant step for IATA and for the travel industry as a whole.

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22

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**HRG Announces New Distribution Capability (NDC) Developments with WestJet**

November 28, 2017

HRG, the Global Travel Management division of Hogg Robinson Group, has today announced it is working in partnership with WestJet on the development of an NDC direct connection. HRG has recently been certified IATA Level 1 under the advanced 17.2 standard.

Bill Brindle, Chief Operating Officer, Hogg Robinson Group commented: "It is already well known that we are at the forefront of New Travel Distribution and are involved in NDC development with a number of global airlines including British Airways, Iberia, American Airlines and Lufthansa Group. I am delighted to announce that WestJet is joining our NDC programme and we are partnering the development of a new direct connection together."

George Ryan, Manager Distribution Strategy, WestJet remarks: "We are delighted to be joining the NDC programme with HRG. Our teams have been collaborating for some time now and we have made tremendous progress towards HRG consuming our I/NDC content. We are looking forward to being able to offer our mutual clients dynamic offers, rich content and many other exciting benefits that the NDC 17.2 connection allows us to provide."

ENDS

For more information on HRG global travel management, please contact:  
 Salljanne Heywood on +44 (0)1356 512 558 or [salljanne.heywood@hrgworldwide.com](mailto:salljanne.heywood@hrgworldwide.com)

**Emirates launches store on Altrip via NDC connection**

06/16/2017 | 11:08:51 AM | Those



The deal was facilitated by Emirates Online B2B, the airline's IATA NDC Level 2-certified API powered by Farelogix.

Jim Davidson, chief executive officer of Farelogix, said it is the first airline flagship store in the industry with a NDC connection.

The carrier also enables users to make and manage bookings out of the Emirates reservations system without any third-party intervention, using industry-standard XML protocols required by legacy retailing platforms such as Altrip.

Emirates also implemented Alipay, the preferred payment method of Altrip customers. This move will provide enhanced reporting capabilities to Emirates.

Davidson said the Altrip-Emirates tie-up is part of "a bit of a tipping point" for NDC, which got off to a rocky start when IATA first introduced the "new distribution capability" in 2012 to a chorus of confusion and controversy.

Read original article



## SABRE TRIAL EXCERPTS

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Source: American Airlines Inc. v. Sabre Inc. et. Al, Case No. 067-249214010, Tarrant County, Texas, District Court

- Email from Sam Gilliland, Chairman & CEO, Sabre<sup>1</sup>  
"Spent all day trying to figure out **how to take American down**."
- Email from Tom Klein, President, Sabre Holdings<sup>2</sup>  
"AA remains the one disruptive force in the industry that concerns me... Our initiative needs to target getting as many things as possible in place to **neutralize AA market moves to disrupt the model**. I suggest we call it something friendly in the event it makes its way to AA."
- Minutes of Sabre meeting re Project 99<sup>3</sup>  
"Topics Covered...
  - **This is not only a project related to AA**, but about GDS distribution, the Sabre GDS strategy, and **the future of indirect distribution in general** - in fact, whatever direction AA will take will likely be followed by other carriers in the market."
- Email to Chris Kroeger, SVP Marketing, Sabre Travel Network<sup>4</sup>  
"Wanted to make sure we are still pushing on the **strategy to shut down FLGX** (the technology provider behind American's Direct Connect)."

1. October 24<sup>th</sup> transcript, Page 47
2. Plaintiff's Exhibit PTX 642
3. Plaintiff's Exhibit 0018, Meeting Minutes, AA 5=5 Kick-off Meeting
4. Plaintiff's Exhibit PTX 7011





SABRE TRIAL EXCERPTS

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Source: American Airlines v. Sabre Trial, October 2012 – Excerpts from the Public Transcripts<sup>1</sup>

<b>Transcript Reference:</b>	<b>Document Referred To:</b>	<b>Excerpt:</b>
October 24 <sup>th</sup> Transcript, Page 46	Sabre Internal PowerPoint Presentation – Strategy Document 2008	<ul style="list-style-type: none"> <li>- Fence in travel agents and software developers;</li> <li>- Agency agreements – no bypass language</li> <li>- Control developers through contract language</li> </ul>

<sup>1</sup> Excerpt taken from transcript but may be paraphrased from actual document. Actual document not available to the public.



NDC DISTRIBUTION EXAMPLES

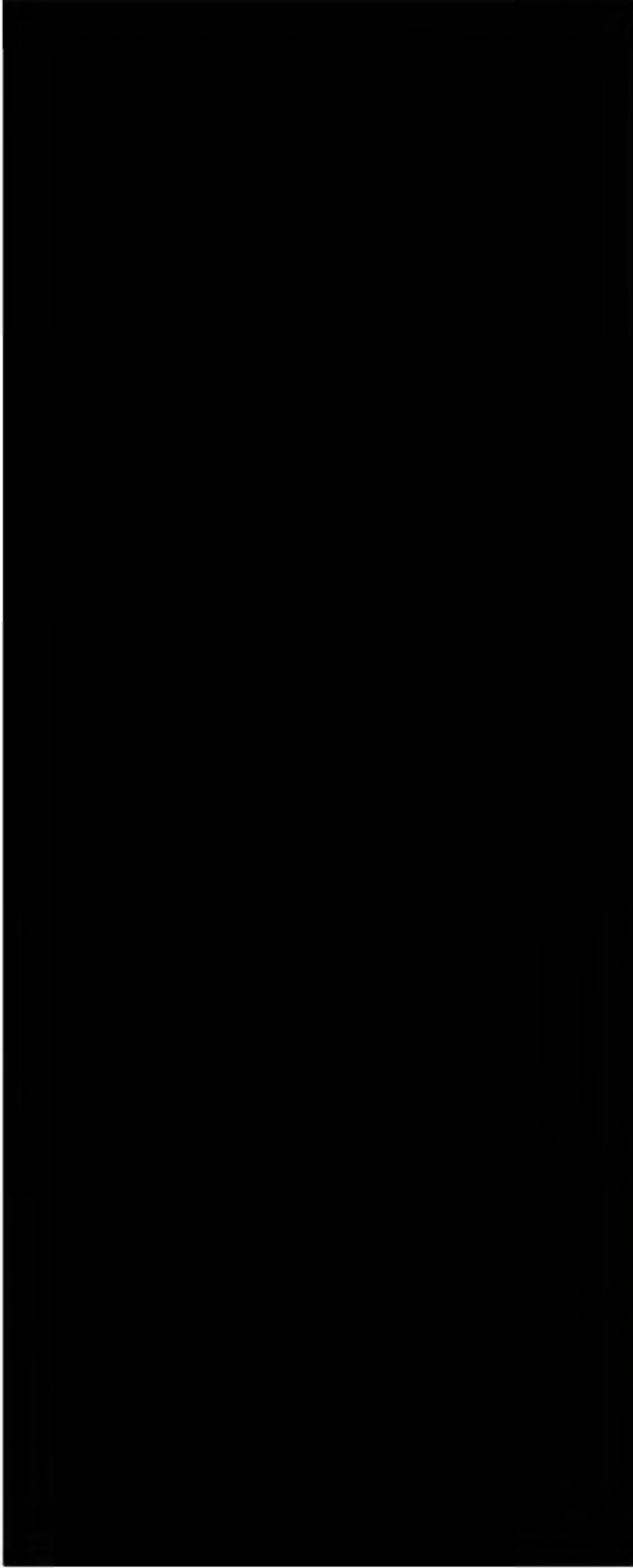
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NDC DISTRIBUTION EXAMPLES

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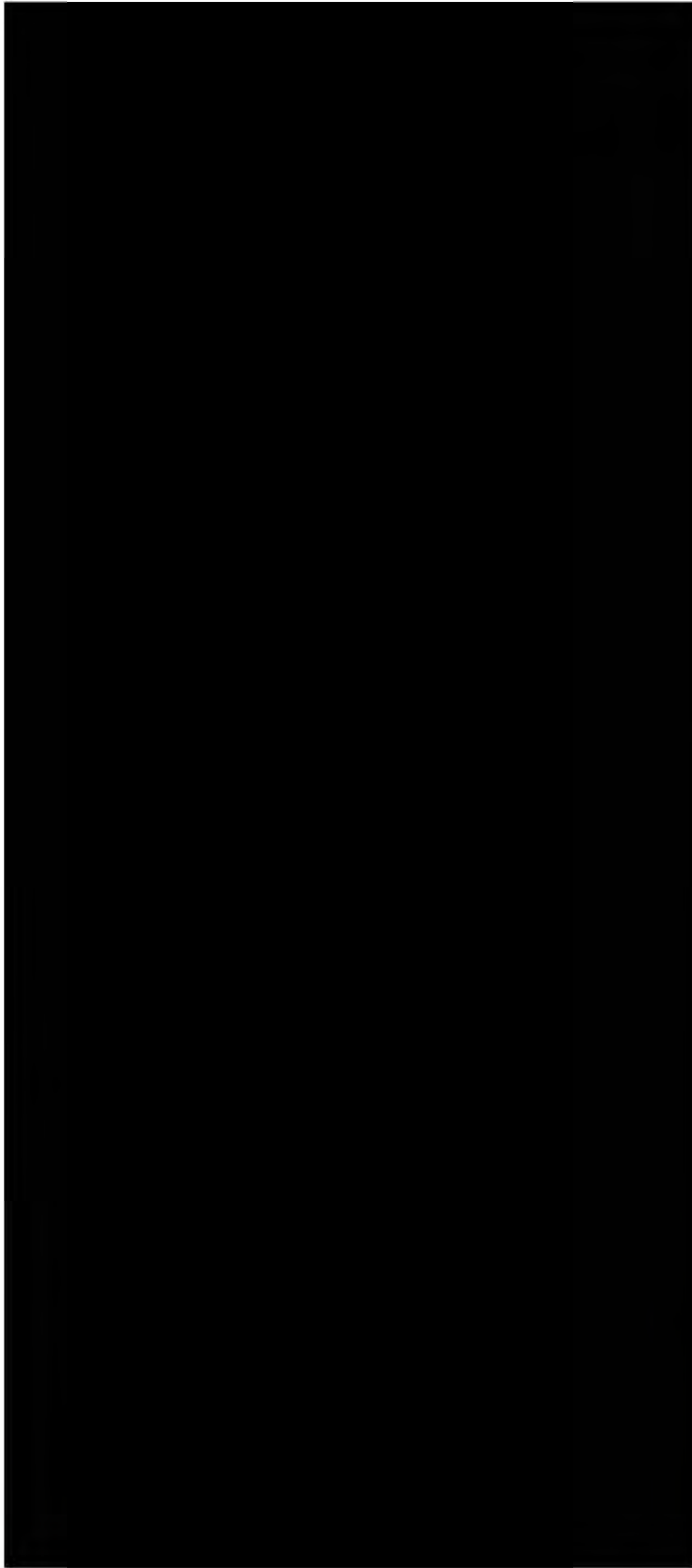
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NDC DISTRIBUTION EXAMPLES

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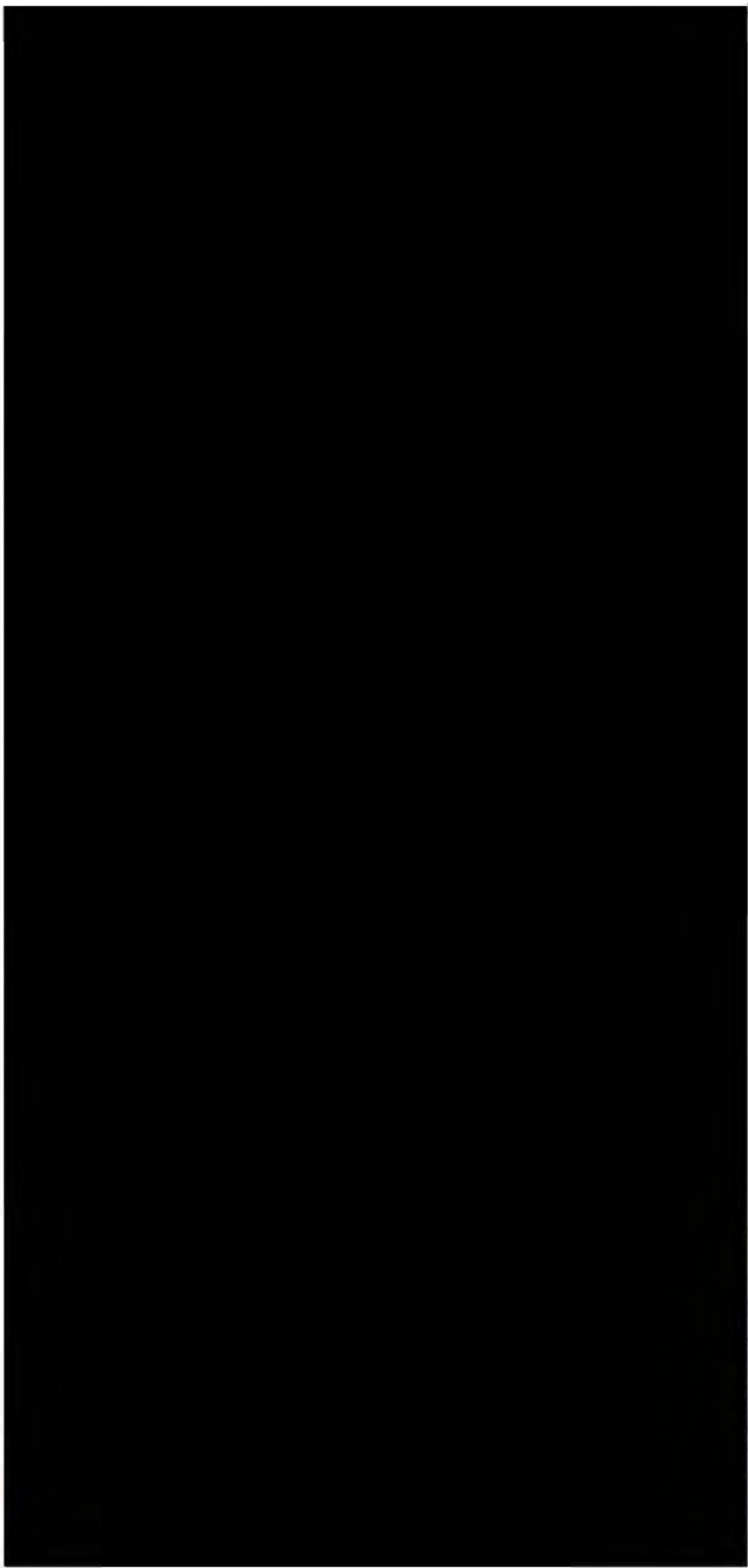
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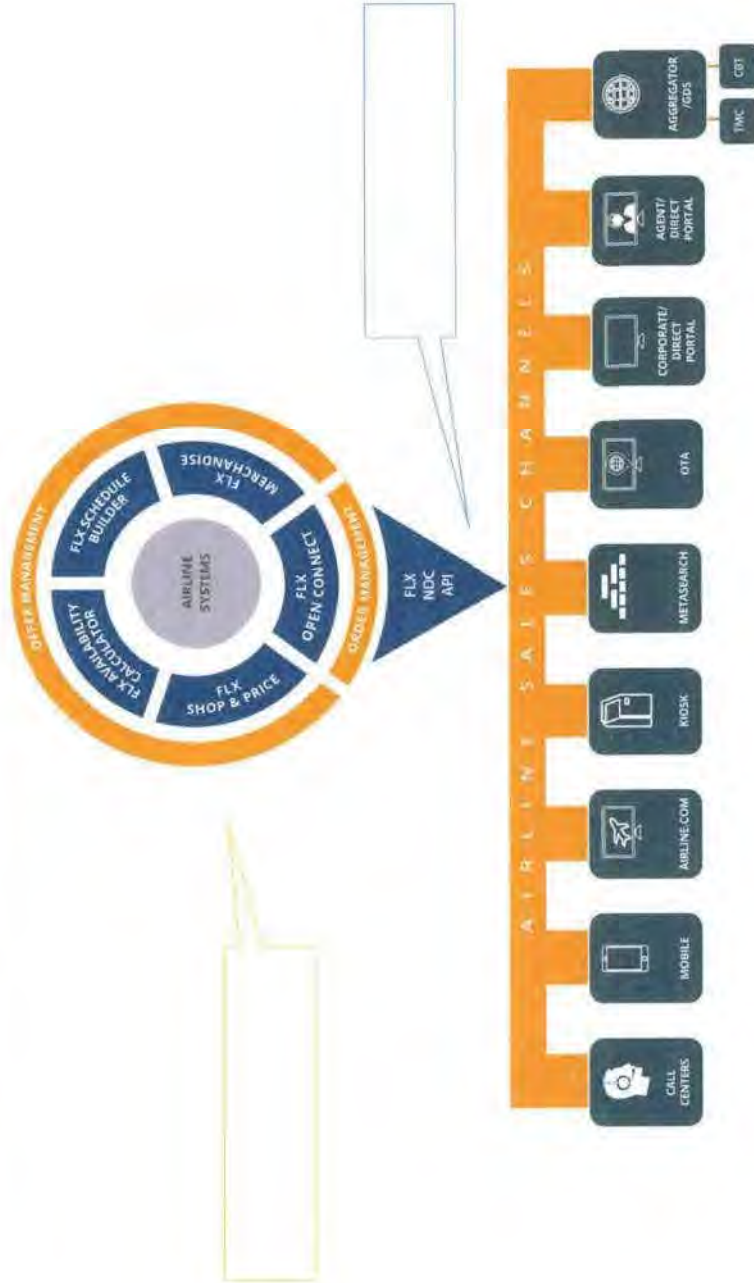
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# FARELOGIX AIRLINE COMMERCE GATEWAY

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31

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January 17, 2018

*Farelogix presentation for  
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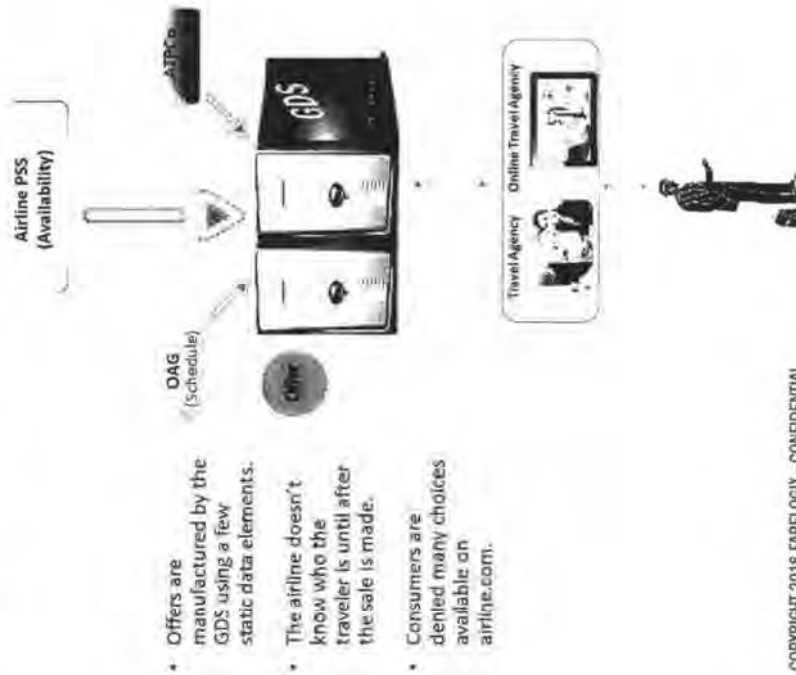
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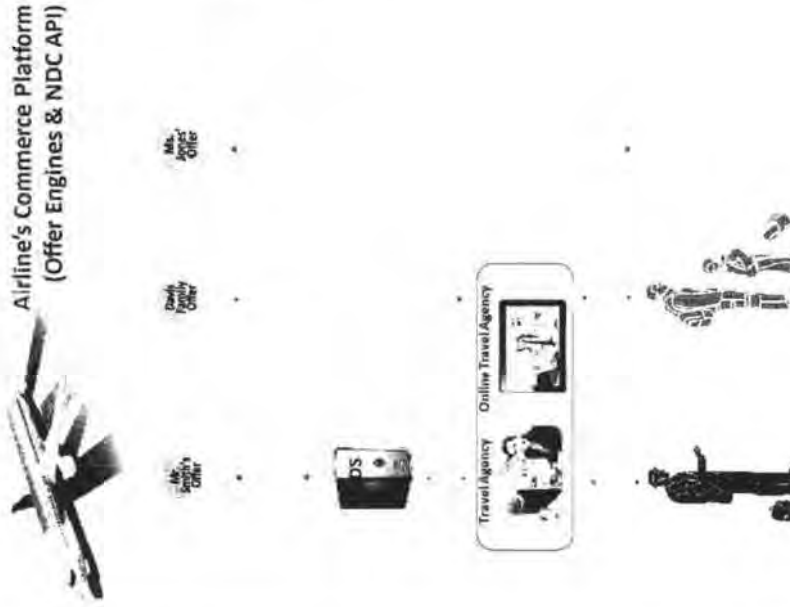


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## NDC Distribution (Airline Creates Offer)



Farelogix technology enables this

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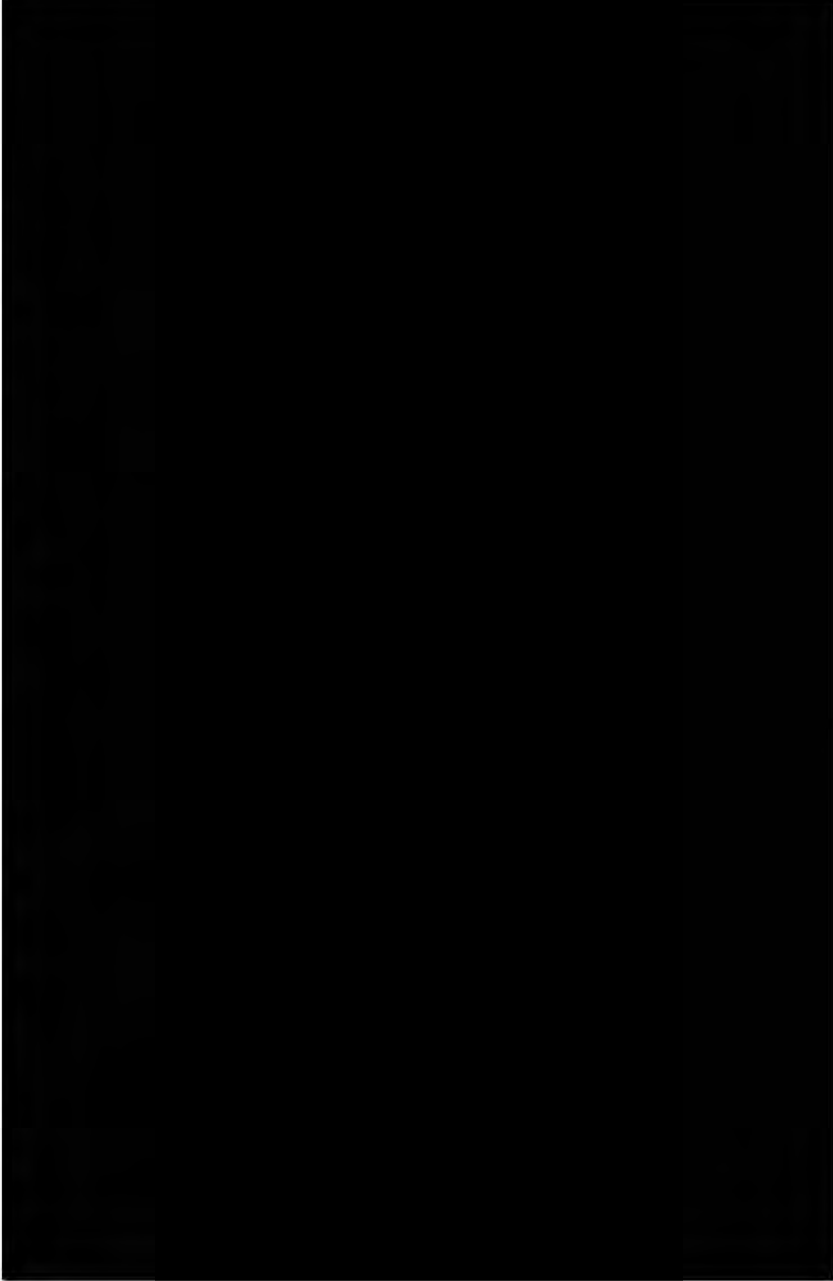
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NDC DISTRIBUTION EXAMPLE: AIRLINE OFFERS TRAVEL AGENCY PORTAL (BRANDED  
SPRK)

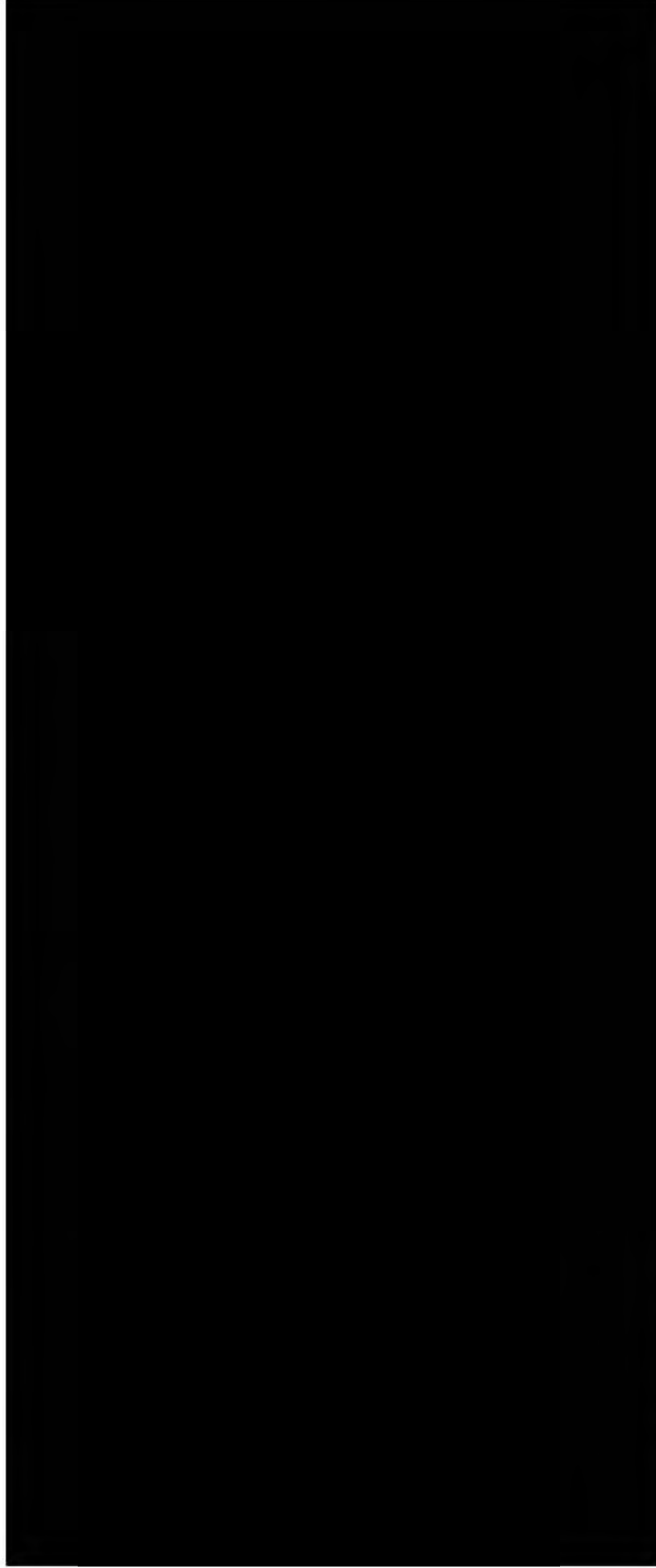
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NDC DISTRIBUTION EXAMPLE #1: OTA CONSUMES AIRLINE API

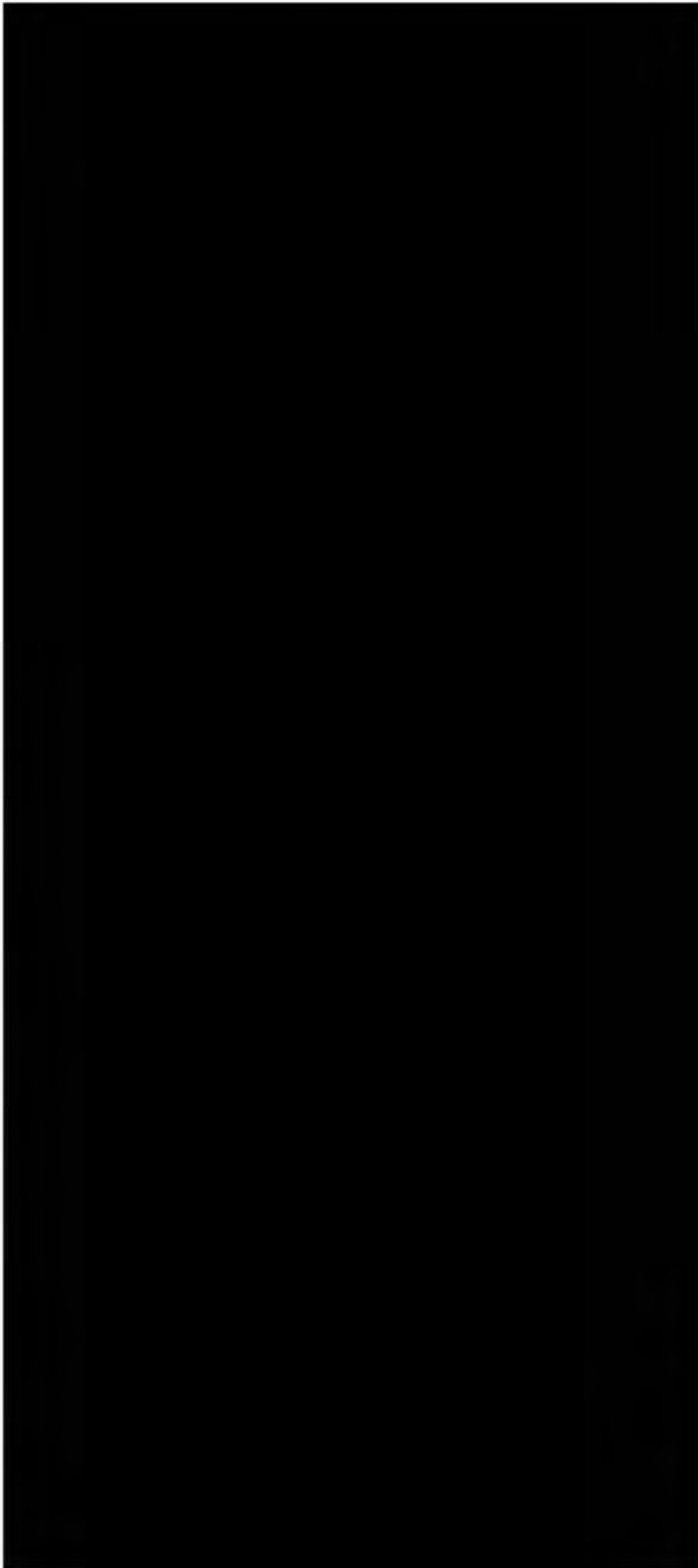
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NDC DISTRIBUTION EXAMPLE #2: OTA SELLS PREMIUM SEATS

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NDC DISTRIBUTION EXAMPLES: CONSUMER CHOICE AND CONVENIENCE

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8

FLX-002989103



AIRLINES CONTROL THEIR OFFERS USING A RULES DESIGNER AND AIRLINE-MANAGED "OFFER  
ENGINES"

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## WHY ARE WE HERE?

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- **Consumer expectations regarding the process of buying air travel have significantly changed.**
- **For over 60% of consumers, choice and shopping experience is severely limited by legacy air travel intermediaries and their distribution models.**
- **GDSs continue to leverage significant market power to preserve their market position and stifle innovation.**



WHY ARE WE HERE?

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## **Consumer expectations regarding the process of buying air travel have significantly changed.**

- Travelers want more choices, as evidenced by the 264% increase in air ancillary revenue since 2010.\*
- Hyper-connected consumers expect personalized real-time engagement "anytime anywhere."

\*According to McKinsey Company, ancillary revenue has increased from \$27.6B in 2010 to \$82.2B in 2018 - a 264% increase or about 4 times as much as 2010 (7.6 to be exact)

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11

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## WHY ARE WE HERE?

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**For over 60% of consumers, choice and the air shopping experience is severely limited by legacy air travel intermediaries and their distribution models.**

### GDS companies

- The GDSs failed to make needed investment in their own platforms to meet consumer needs. As a result, a full decade after airline ancillaries were introduced, GDSs are facing a persistent and widening gap between what is available to travel agencies and the capabilities of airline websites.
- GDSs consistently seek to block new non-GDS technology solutions that deliver what consumers need.
  - PSS and GDS contract limitations that effectively prohibit working with third parties or make doing so cost prohibitive.
  - No meaningful adoption of NDC through the GDS despite public overtures to the contrary (see recent articles)

### Travel agencies/OTAs

- Remain loyal to the GDS because of
  - dependency on GDS incentive payments
  - ignorance of actual GDS limitations, and
  - unwarranted concerns about cost of transition to NDC (see article)
- The effect is to prop up an outdated distribution model to the detriment of consumers, who are denied choice and competitive shopping experiences.



## WHY ARE WE HERE?

FARELOGIX

### **GDSs continue to leverage significant market power to preserve their market position and stifle innovation.**

- The GDS oligopoly controls both airline internal systems and the airline's distribution structure.
- Onerous contracts with both travel agencies and airlines preserve the status quo.
  - GDS contracts demand party/MSA/non-discrimination clauses and limit use of third parties (e.g. "convenience fee")
  - PSS contracts restrict connectivity and/or use of airline's own inventory data. 3<sup>rd</sup> party solutions cost-prohibitive or not allowed
  - OTA-GDS contracts require GDS approval to use third party software/solutions.
- Even the world's largest and most powerful airlines cannot break the oligopoly power on their own.
  - Requires or risks extensive and expensive anti-trust litigation (e.g. AA, US, LHG)
  - Litigation filings revealed Sabre's strategy to "shut down Farelogix"
  - Attempts to constrain innovation by drawing false parallels between airline software vendors and GDS companies (LH-Sabre)
  - Airlines are incurring significant costs to have the freedom to compete for customers
    - Pay full "break" rates to the GDS to break full content agreements
    - Resort to cost recovery fees to offset higher GDS costs, enabling adoption of newer technology (e.g. LHG, IAG, AF)

GDS market: Amadeus 12.4%, Sabre 26.4%, Travelport 22.2%, PSS market: Amadeus 6.5%, Sabre 13%.



## GDS AND DISTRIBUTION INNOVATION: A DECADE OF RESISTANCE AND CHANGING TACTICS

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- 2010: **Punish** airlines that try
  - AA versus Sabre (settled)
  - US versus Sabre (lost)
- 2011-2013: **Lobby** against new industry standards
  - Open Allies and other groups fought against IATA NDC (lost when NDC passed in 2013)
- 2014-2018: **Undermine and delay** NDC even if embracing it on the surface
  - All three GDS have been publicly pro-NDC especially in recent months...but in reality their strategies are to:
    - Introduce fear, uncertainty and doubt (e.g. "Amadeus CEO: NDC a complex investment." TNOOZ Nov 3 2017)
    - Delay (American Airlines implementation with all GDS has been in progress for 2+ years and will still not be done in 2018)
    - Try to legally stop it (e.g. LH-Sabre attempts to invalidate airline "cost recovery strategy")
    - Less willingness to augment content (i.e. accept NDC) for existing airline customers versus taking APIs from LCCs/other suppliers not already in the GDS



## LOOKING AHEAD: 2018 AND BEYOND

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- The gap continues to widen between what is available to consumers on airline websites versus purchased through intermediaries
- New entrant investment can only happen for so long without an ROI

Without intervention, innovation and competition will continue to be stifled.  
Consumers will pay the price.



QUESTIONS

FARELOGIX

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**ADDENDUM**



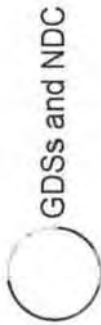




## ADDENDUM TABLE OF CONTENTS

- Articles – GDSs and NDC
- Articles – Travel Sellers and NDC
- AA-Sabre trial excerpts
- Additional NDC distribution examples
- Farelogix Airline Commerce Gateway

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tnooz

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Overview for the 2018 Global NDC Strategy | Page 1 | Page 1 of 10

NDC provides a single point of contact for the airline industry, allowing for a more efficient and consistent experience across all touchpoints.

Travelers will see a more consistent experience across all touchpoints, from the website to the mobile app, providing a seamless and consistent experience.

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**tnoos**

Sabre to sell American seat upgrades via NDC-based standards

Sabre, the global distribution system (GDS), said today that it has begun to sell American seat upgrades via NDC-based standards through its tnoos platform.

Sabre tells Tnoos this is a phased roll out that started on Feb. 2 and will go through into February.

tnoos, as a technology provider to American, provides the bid seats functionality through the AA Direct Connect API.

Sabre sends the data through its Air Extras solution, which first appeared in 2008 and which lets airlines spotlight ancillaries to the more than 437,000 agents that today use Sabre for ticket processing.

Passengers pay additional fees for the products — Main Cabin Extra (which primarily provide extra legroom) and Preferred Seats (which mainly offer the most sought-after seat locations in an aircraft).

This is a first for Sabre using NDC-based tech standards. But Sabre notes it already has about 60 carriers, selling ancillary services through its solutions in its marketplace. It expects the number of carriers participating to increase significantly this year.

When NDC standards were first created, Sabre had turned other GDSs in expressing skepticism and concern about their initial adoption and usefulness. It publicly changed its tune over NDC in 2014, joining into line with its GDS rivals Amadeus and Travelport in offering qualified support. Its GDS rival Amadeus has worked with carriers like Delta and United, and Travelport has signed up more than 100 carriers to its merchandising technology.

Sabre and American have had a rocky relationship in the past decade (despite the airline having founded the company decades ago). The new deal signals a closer relationship between the two companies.

11/20/2018

Amadeus CEO: NDC's success depends on how airlines

# TRAVEL WEEKLY

by [Liz Hines](#)

11/20/2018

## Amadeus CEO: NDC a complex investment

by [Liz Hines](#), November 19, 2018

Advancing Amadeus' certification level in IATA's New Distribution Capability (NDC) comes at a cost, but Amadeus is no stranger to technology expenditures, CEO Luis Amorin said.

"There will be costs, yes," Amorin said during the company's financial earnings call Friday. "This is an investment and it's complex."

NDC is a new set of technological standards for how airlines provide access to their inventory. Amadeus and its rival, other technology investments his company has made over the years, and other airlines already working with airlines on NDC, countered.

"There will be investments done by the different GDSs to try to optimize the flows with the airlines and the flows with the travel agencies, because at the end, NDC — which is just a pure technology evolution — could be beneficial to all the parties if we find the right way of supporting all the parties," he said.

Amadeus is already Level 3 certified as an IT provider, but its GDS business is on track to gain Level 3 certification as an aggregator in 2018. The timeline is in line with recent NDC updates from other GDSs.

Both Sabre ([www.sabre.com](http://www.sabre.com)) and Travelport ([www.travelport.com](http://www.travelport.com)) are also working on NDC certification. Sabre's CEO, [John D'Amico](#), said the company is on track to gain Level 3 certification as an aggregator in 2018. Travelport CEO, [John D'Amico](#), said the company is on track to gain Level 3 certification as an aggregator in 2018. Sabre's CEO, [John D'Amico](#), said the company is on track to gain Level 3 certification as an aggregator in 2018. Travelport CEO, [John D'Amico](#), said the company is on track to gain Level 3 certification as an aggregator in 2018.

In the third quarter, Amadeus reported an 8.9% revenue increase to 1.7 billion euros.

# TRAVEL SELLERS AND NDC



ISSUES & SOLUTIONS

## Two U.K. TMCs Go Direct With Lufthansa

London-based travel management firm TMCs are looking to go direct with Lufthansa, according to a report from the FTI Consulting research firm.

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However, the above-mentioned simplification will be achieved by the extended implementation of API connections (MCCS) NDC, a process that will be implemented in the coming months.

Head of Sales, Chris Thomas, explains that the NDC is "the first step in the process of simplifying and streamlining the travel procurement process."

Simon, a former Travel Agent, explains that the NDC is "the first step in the process of simplifying and streamlining the travel procurement process."

As for Lufthansa, and other airlines, they are looking to go direct with TMCs, according to a report from the FTI Consulting research firm.

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"We're looking for a more direct relationship with Lufthansa," says Michael Thomas, head of sales at TMCs.

Thomas explains that the NDC is "the first step in the process of simplifying and streamlining the travel procurement process."

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## TRAVEL SELLERS AND NDC

### HRG Announce New Distribution Capability (NDC) Developments with WestJet

November 28, 2017

HRG, the Global Travel Management division of Amadeus Group, has today announced its work on a partnership with WestJet on the development of an NDC direct connection. HRG has already been an IATA Level 1 vendor for about 11.2 years.

Bill Brindle, Chief Operating Officer, Middle East and North Africa, commented: "It is always well known that we are at the forefront of New Travel Distribution and we are excited to announce this NDC development with a number of global airlines including Air Canada, Air France, Iberia, American Airlines and Lufthansa Group. I am delighted to announce this WestJet direct connection and we are partnering the direct connection with a direct connection together."

George Ryan, Managing Director, WestJet, commented: "It is a pleasure to be joining the NDC programme with HRG. Our teams have been collaborating for some time now and we have made tremendous progress towards a direct connection with HRG. We are looking forward to being able to offer our mutual clients dynamic offers that combine air, many other exciting benefits that the NDC 1.2 connector allows us to provide."

For more information, please contact the HRG team at [hr@westjet.com](mailto:hr@westjet.com).

Support: [hr@westjet.com](mailto:hr@westjet.com) or +44 (0)1179 112 088 or [www.hr@westjet.com](http://www.hr@westjet.com)

### Emirates launches store on Alitrip via NDC connection

Subhrajit | 11:55 AM | 11/28/17



The deal was facilitated by Emirates Online B2B, the airline's IATA NDC Level 2-certified API, powered by Farelogix.

Jim Davidson, chief executive officer of Farelogix, said it is the first airline flagship store in the industry with a NDC connection.

The carrier also enables users to make and manage bookings out of the Emirates reservations system without any third-party intervention, using industry standard XML protocols required by travel retailing platforms such as Alitrip.

Emirates also implemented Alitrip, the preferred payment method of Alitrip customers. The move will provide enhanced reporting capabilities to Emirates.

Davidson said the Alitrip Emirates tie-up is part of "a bit of a tipping point" for NDC, which got off to a rocky start when IATA first introduced the "new distribution capability" in 2012 to a chorus of confusion and controversy.



## SABRE TRIAL EXCERPTS

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Source: American Airlines Inc. v. Sabre Inc. et. Al, Case No. 067-249214010, Tarrant County, Texas, District Court

➤ Email from Sam Gilliland, Chairman & CEO, Sabre:

"Spent all day trying to figure out how to take American down."

➤ Email from Tom Klein, President, Sabre Holdings:

"AA remains the one disruptive force in the industry that concerns me... Our initiative needs to target getting as many things as possible in place to neutralize AA market moves to disrupt the model. I suggest we call it something friendly in the event it makes its way to AA."

➤ Minutes of Sabre meeting re Project 99:

"Topics Covered..

- **This is not only a project related to AA, but about GDS distribution, the Sabre GDS strategy, and the future of indirect distribution in general** - in fact, whatever direction AA will take will likely be followed by other carriers in the market."

➤ Email to Chris Kroeger, SVP Marketing, Sabre Travel/Network:

"Wanted to make sure we are still pushing on the strategy to shut down FLGX [the technology provider behind American's Direct Connect].

1. October 24<sup>th</sup> transcript, Page 47

2. Plaintiff's Exhibit PTX 642

3. Plaintiff's Exhibit 0018, Meeting Minutes, AA 5-5 Kick-off Meeting

4. Plaintiff's Exhibit PTX 7011



## SABRE TRIAL EXCERPTS

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Source: American Airlines v. Sabre Trial, October 2012 – Excerpts from the Public Transcripts<sup>1</sup>

<b><u>Transcript Reference:</u></b>	<b><u>Document Referred To:</u></b>	<b><u>Excerpt:</u></b>
October 24 <sup>th</sup> Transcript, Page 46	Sabre Internal PowerPoint Presentation – Strategy Document 2008	<ul style="list-style-type: none"><li>- Fence in travel agents and software developers;</li><li>- Agency agreements – no bypass language</li><li>- Control developers through contract language</li></ul>

<sup>1</sup> Excerpt taken from transcript but may be paraphrased from actual document. Actual document not available to the public.





NDC DISTRIBUTION EXAMPLES

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NDC DISTRIBUTION EXAMPLES

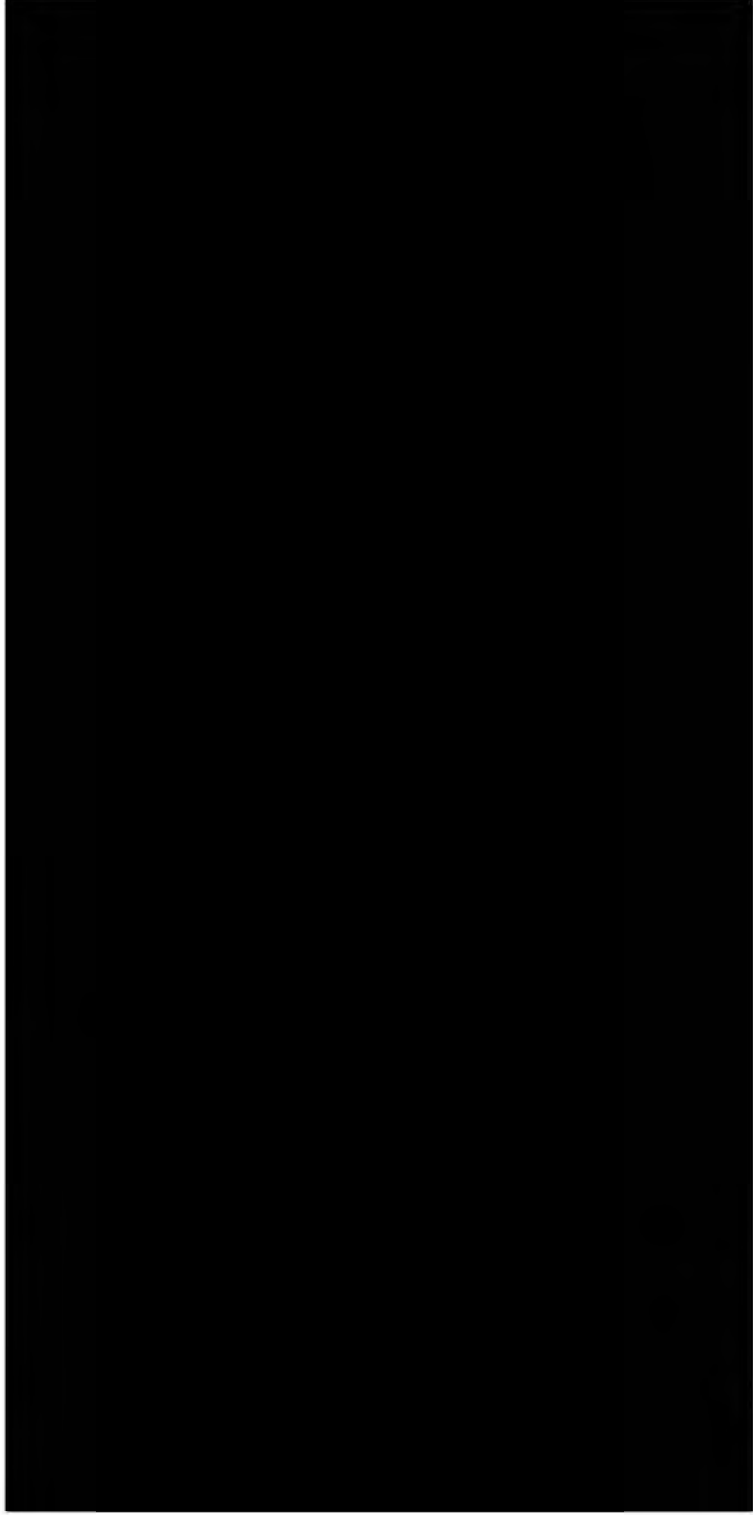
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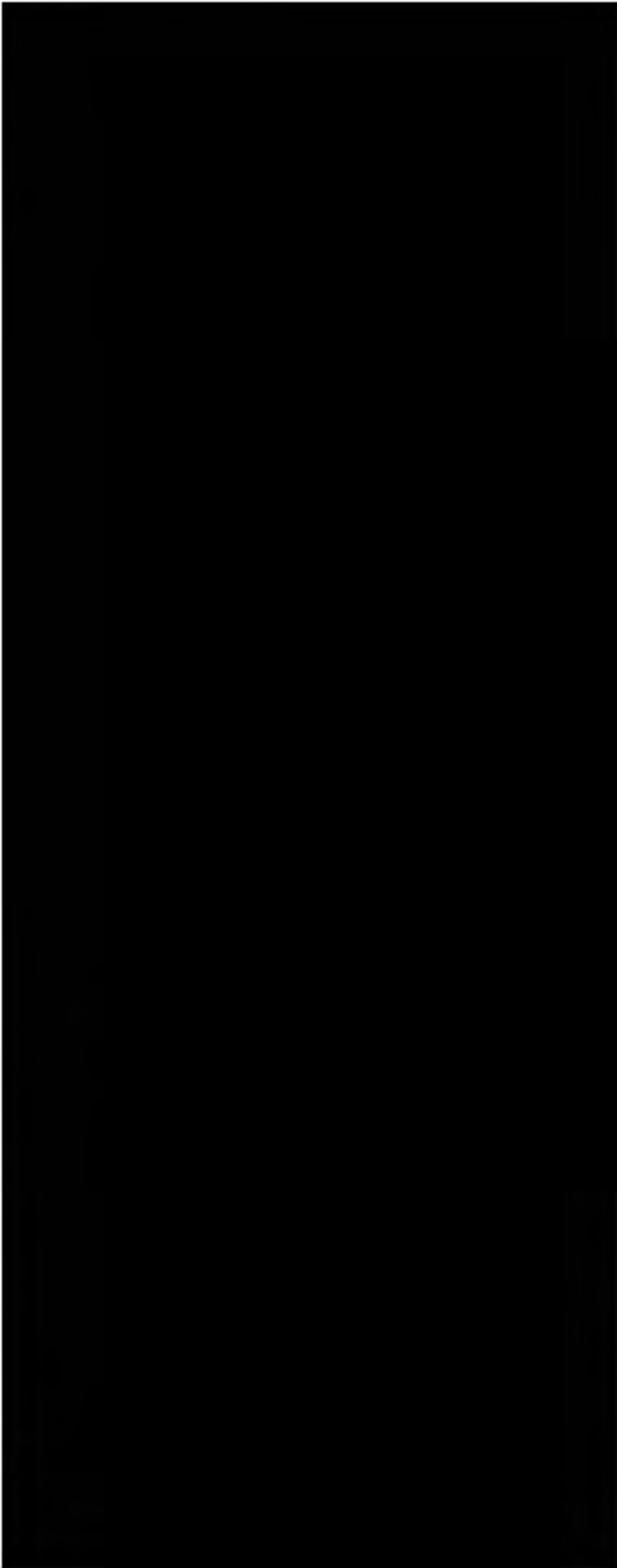
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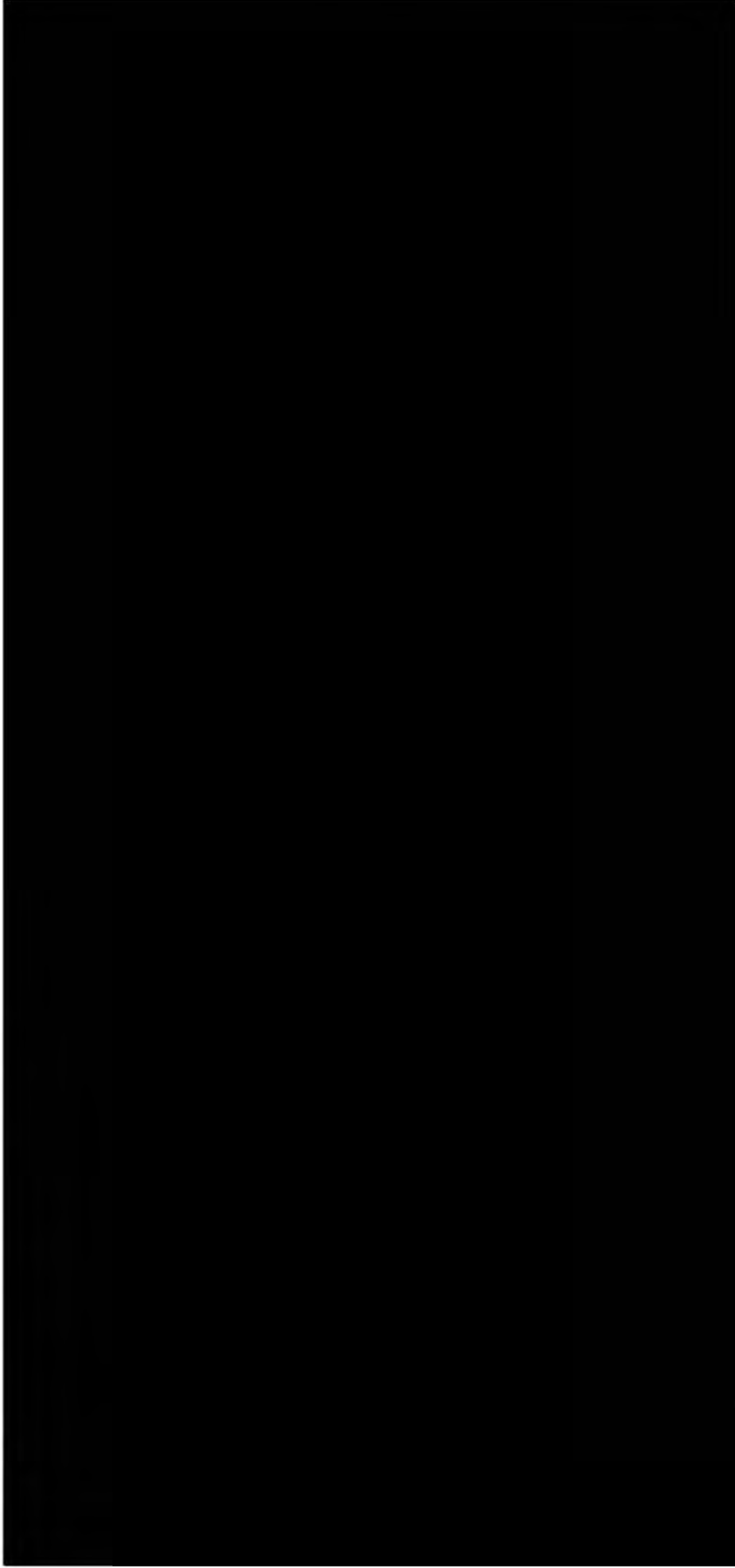
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# FARELOGIX AIRLINE COMMERCE GATEWAY

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