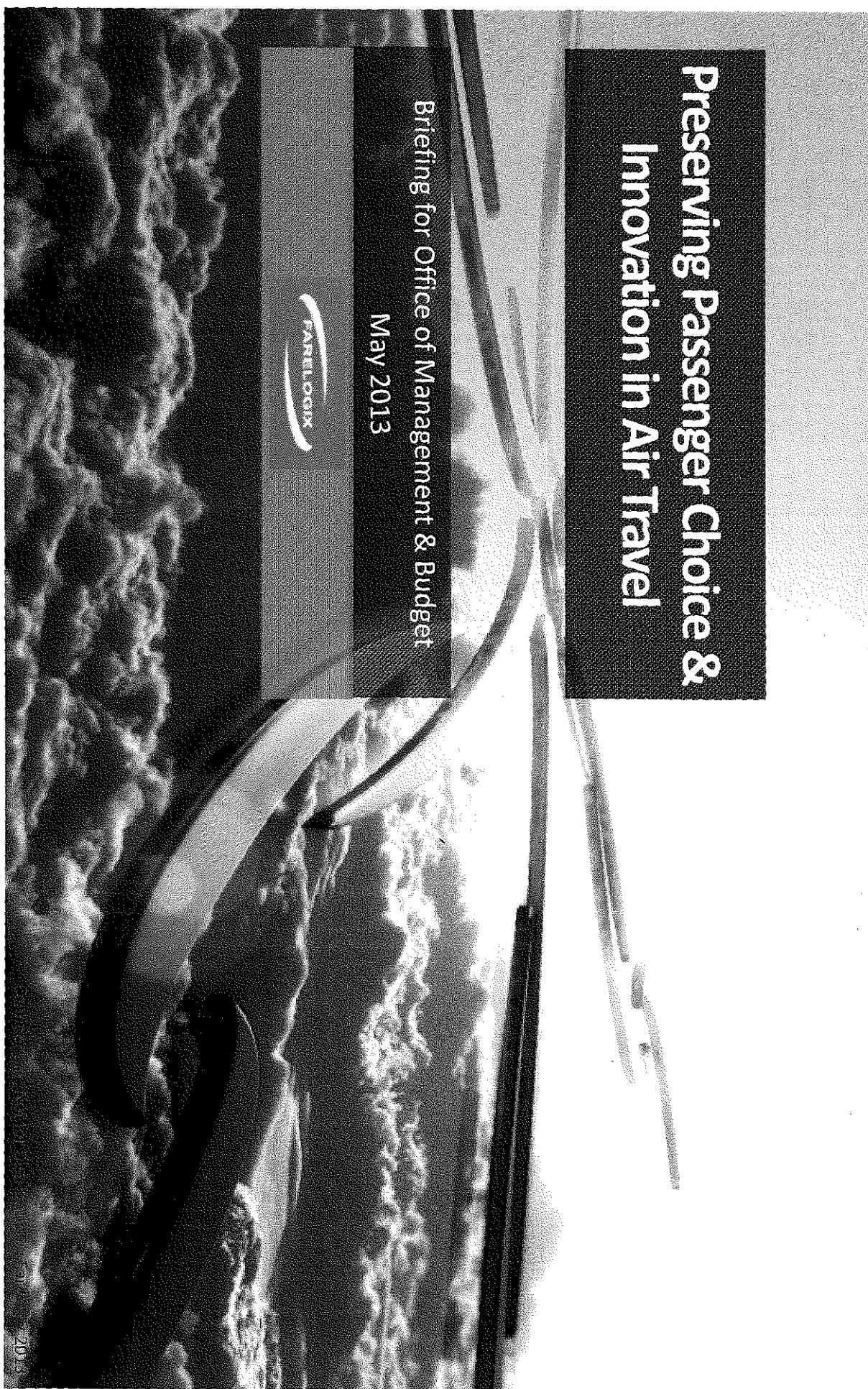


Preserving Passenger Choice & Innovation in Air Travel

Briefing for Office of Management & Budget
May 2013



■ FARELOGIX (FLX) – A UNIQUE PERSPECTIVE



- Farelogix is a technology provider for many of the world's leading airlines.
- Farelogix uses modern technology to provide a more efficient, more transparent, less expensive alternative to the traditional GDS.
- Over the past five years, Sabre has wielded its monopoly power in an attempt to destroy Farelogix and prevent competition in ticket distribution.
 - ***“Wanted to make sure we are still pushing on the strategy to shut down FLGX [Farelogix].”*** Internal Sabre email
- As the only surviving technology competitor to GDS distribution technology, Farelogix is able to offer an important perspective regarding the EAPP3 debate.

■ MANDATING ANCILLARIES PUTS THE INDUSTRY AT RISK



- Language requiring airlines to provide ancillary information to all channels is problematic
 - Even if language does not specify “how” to distribute to all channels
 - Regardless of wording, just the fact that the rule is a mandate will allow the GDSs to impose their preferred method -- ATPCO OC-- because of a DOT “stamp of approval”
- ATPCO OC only processes static/filed data
 - Airlines are starting to make more dynamic offers (e.g. LFBU)
- Forcing the airlines to use static technology is unnecessary:
 - Full content agreements already renewed
 - Many airlines already don't do it today – LCCs (EasyJet, Ryanair, Alliance, etc.)
 - Will stop innovation & interfere with current development implementation
 - Will interfere with existing contracts

■ ANY RULE IS ALREADY OBSOLETE



The marketplace is already solving the problem from multiple angles:

- Contractually: Most airlines are providing ancillaries through APIs
 - Delta, United

- Technologically: Dynamic solutions are in production today
 - Priceline and American Airlines/United Airlines
 - Air Canada and Travelport GDS
 - Coming soon – American Airlines direct connect via Travelport and Amadeus GDS...and others

- Industry is moving to a different solution
 - IATA NDC – Standardized XML making it easier to connect to airlines that want to offer/sell ancillaries

MODERN TRAVEL AGENCY PLATFORM EXAMPLE (1)



Early in the shopping process, agents can easily see which optional services are bundled with a particular airfare, or included as part of a custom-negotiated corporate package (e.g. FLX Business bundle shown in this example).

Welcome, Michael Zumdieck | [Logout](#)
IATA: 10770001 Office ID: AALO



Fare Search

AA		Source: AA		Departure time: 06:30 - 21:20		Selected Fare: 341.62		Lowest Fare from 341.62 (USD)			
Flight	Cities	Depart	Arrive	Cnx	Stops	Duration	→	FLX Saver	FLX Select	FLX Business	✈️
<input checked="" type="checkbox"/> AA 617	MIA - DFW	08JUL 09:40	11:35	0	0	2:55	757	<input checked="" type="radio"/> 170.81	<input type="radio"/> 200.96	<input type="radio"/> 228.56	<input checked="" type="checkbox"/>
<input type="checkbox"/> AA 278	MIA - DFW	08JUL 12:05	14:00	0	0	2:55	757	<input type="radio"/> 170.81	<input type="radio"/> 200.96	<input type="radio"/> 228.56	<input type="checkbox"/>
<input type="checkbox"/> AA 495	MIA - DFW	08JUL 06:30	08:30	0	0	3:00	757	<input type="radio"/> 170.81	<input type="radio"/> 200.96	<input type="radio"/> 228.56	<input type="checkbox"/>
<input type="checkbox"/> AA 1379	MIA - DFW	08JUL 07:55	09:55	0	0	3:00	757	<input type="radio"/> 170.81	<input type="radio"/> 200.96	<input type="radio"/> 228.56	<input type="checkbox"/>
<input type="checkbox"/> AA 635	MIA - DFW	08JUL 10:40	12:40	0	0	3:00	763	<input type="radio"/> 215.46	<input type="radio"/> 245.61	<input type="radio"/> 273.21	<input type="checkbox"/>
<input type="checkbox"/> AA 988	MIA - DFW	08JUL 18:30	20:25	0	0	2:55	757	<input type="radio"/> 228.48	<input type="radio"/> 258.62	<input type="radio"/> 286.23	<input type="checkbox"/>


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FLX Business

- Enjoy Priority Boarding
- Pre-reserve your Seat
- In-Flight Internet
- Access to our Admiral's Club on day of travel
- Enjoy your premium drinks
- 1st checked Bag is FREE

MODERN TRAVEL AGENCY PLATFORM EXAMPLE (2)

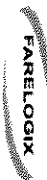


<ul style="list-style-type: none"> Enjoy the relaxing atmosphere of our lounges. Call to reserve a conference room. One-Day Pass valid for all 		n/a	n/a	included
<ul style="list-style-type: none"> Options for flight AA 1684 		ZUMDIECK/M GLD	REIZT PLT	GIGOWSKI/J
1st Bag Fee <ul style="list-style-type: none"> Baggage allowance is per Must comply with weight re 		<input type="checkbox"/> 15.00	included	<input type="checkbox"/> 15.00
In-Flight Internet Access <ul style="list-style-type: none"> Enjoy access to email, mo Activation is goverend by F 		<input type="checkbox"/> 4.95	included	<input type="checkbox"/> 9.95
Diabetic Meal/Beverage <ul style="list-style-type: none"> Brunch/Hot Breakfast - Mushroom Cheddar omelet with sweet potato hash, yogurt, seasonal fruit. Cold Breakfast - Yogurt, seasonal fruit, breakfast cookie. Lunch/Dinner - Sweet chill salmon, green beans, white rice, salad, fresh fruit. Snack - Grilled chicken with corn salsa, fresh fruit. 		<input type="checkbox"/> 15.00	<input type="checkbox"/> 15.00	<input type="checkbox"/> 15.00
Unaccompanied Minor Charge (Domestic) <ul style="list-style-type: none"> The safety of your children comes always first at AA. Children 5 years and older may travel on American Airlines or American Eagle on non-stop or same-plane flights. 		<input type="checkbox"/> 75.00	<input type="checkbox"/> 75.00	<input type="checkbox"/> 75.00

Airlines are able to differentiate their products and provide travel agencies with detailed information about optional services, including photo/video.

Optional services are offered in the same "personalized" manner as on airlines websites, ie. based on Who's Asking. In this example, the traveler with Platinum FF status is not charged for bags or internet.

BRANDING WITH VIDEO – ALL SEATS ARE NOT THE SAME



The screenshot displays a flight booking interface for flight MIA-DFW AA 61. At the top, there is a legend for seat status: Available (empty seat icon), Occupied (seat with person icon), Selected (seat with checkmark icon), and Restricted (seat with red X icon). Below the legend is a seat map for cabin class 757, with rows 9 through 16 and columns A through F. Row 9 has two arrowheads pointing to the left. Row 10 has two arrowheads pointing to the right. Rows 11 through 16 show a standard 6-seat configuration (A-F). A video player is overlaid on the right side of the seat map, showing a 3D rendering of an airplane seat. The video player has a play button, a progress bar at 0:11, and a volume icon. The text "Flat Bed 180°" is overlaid on the video. Below the video player, there are buttons for "Video", "Preferences", "Premium", "Premium Plus", and "Exit".

■ DYNAMIC PRICING EXAMPLE - LFBU



■ Load-Factor Based Upgrade

- If space is available at the time of check-in (up to 24 hrs pre-flight)
- Customer receives offer from airline to upgrade
- Customer determines if the offer has value and accepts or declines



■ A MANDATE WILL TAKE THE INDUSTRY BACKWARDS



- Request for a “useful format” necessarily refers to ATPCO OC
 - Legacy technology provides static pricing – higher probability for inaccurate pricing or pricing that does not apply to specific traveler i.e. frequent flyer
 - Does not support dynamic, media-rich and custom-tailored offers
 - Even if the rule is passed without specifying how information is delivered, ATPCO OC will end up as required due to GDS market power (i.e. DOT says you have to provide me with the information and here is how I want it)

- Advancement of modern selling technology will be at risk
 - Alternatives to OC are already in place today
 - Innovation and free competition will be thwarted for another decade or longer

- Consumer choices, transparency, comparability, and pricing accuracy will be compromised.
 - Static filing eliminates last minute, dynamic offers that airlines may have available
 - May be forced into offering price ranges for product offerings which leads to interpretation and inaccuracies

■ THE REAL ISSUE



- The real motivation of the rule's proponents is to **maintain GDS market power**
 - American v. Sabre transcripts reveal real agenda
- Consumer issues are red herrings
 - "Transparency" is improved with modern technology
 - Renewal of full content agreements demonstrates airlines are not "hiding fees"

BIASING – THE REAL DANGER AND DETERRENT TO CONSUMER TRANSPARENCY

- Sabre secretly biased American Airline's flights in over 6,000 markets in order to punish it from adopting new technology.
- Biasing clearly harms unsuspecting consumers.
 - Biasing was done secretly for months, and consumers were unaware – consumer's trust was violated!
 - *"Want to get a more sophisticated system of biasing that has various bias rolling through the system. I don't want an airline to understand what we're doing."*
 - *"... [A]re you already removing American Airlines' flights?... In checking schedules from Chicago to LaGuardia I cannot find American Airlines' flights. Are you completely inhibiting us to book on American?"*
 - *"What are your thoughts if Sabre, not the agency... wants to promote the display of a specific carrier and not necessarily highlight or communicate to agents or suppliers that a display is reserved to show a certain carrier at the top?"*

■ SABRE IS ATTEMPTING TO STOP OR DELAY CHANGE

EAPP3 IS THE LATEST
METHOD OF ATTACK



- Sabre's activities were intentionally aimed to stop American from "changing the model":
 - *"AA remains the one disruptive force in the industry that concerns me... Our initiative needs to target getting as many things as possible to **neutralize AA market moves to disrupt the model.**"*
 - *"Spent all day trying to figure out **how to take American down.**"*

■ THANK YOU

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SVP and General Counsel
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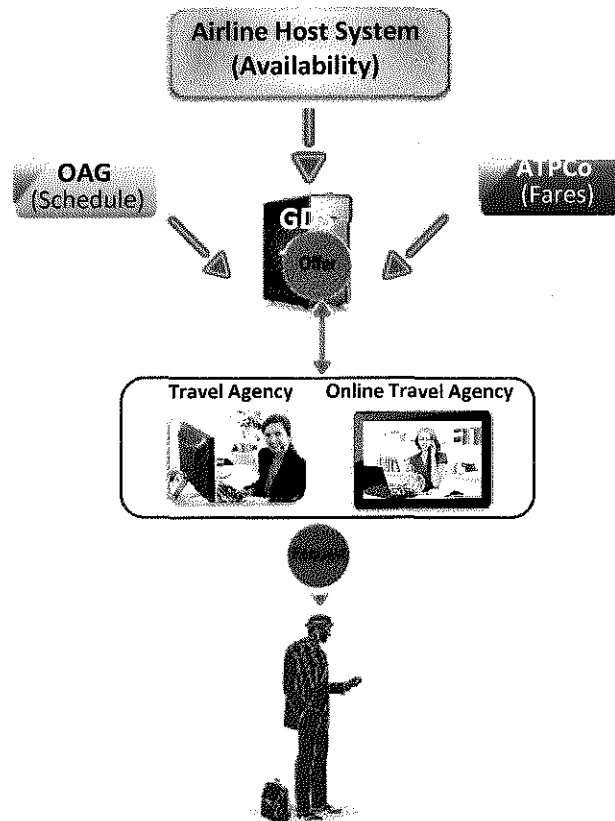
Farelogix Inc.
760 NW 107th Avenue, Suite 300 Miami, FL 33172
www.farelogix.com

AIR SHOPPING EXPERIENCE: OLD AND NEW

Legacy Model (GDS-Centric)

Generic Selling Model:

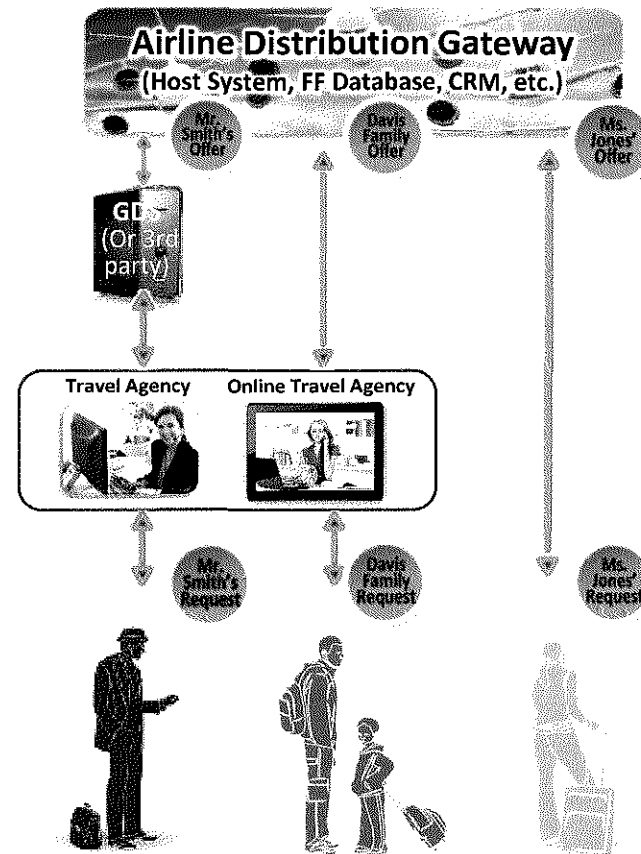
Airline doesn't know who the traveler is until after the sale is made; airline is prevented from delivering its value proposition and competing for a customer's business.



New Model (Consumer-Centric & NDC-Enabled)

Personalized Selling Model

Airline knows who the traveler is and dynamically creates a relevant offer in order to truly compete for the customer.





TRAVELPORT and TRAVELPORT MERCHANDIZING SOLUTIONS

August 7, 2012

Starting in 2009, Travelport GDS has maintained and continues to expand on its capability to display and book ancillary fees for airlines through several of Travelport's agency-facing products, including Universal Desktop. Travelport Merchandizing Solutions currently serves seven carriers and continues to encourage airline collaboration to distribute and retail their ancillary services through the agency/GDS channel.

Travelport GDS has successfully integrated ancillary services seamlessly into agency points of sale for many airlines including Air Canada, United, KLM, British Airways, and Qantas. Seven airlines in total have been successfully implemented and offer a range of extra features from paid seats to all ancillary content (Air Canada). These customers choose to participate and deliver ancillaries either through API (internet-based) connections or through industry standards like ATPCO. In April 2012, a Travelport GDS agent made an industry-first live booking for KLM utilizing ATPCO.

KEY CUSTOMERS:

	API Connectivity for Ancillaries British Airways Preferred Seating. Since February 2011, Travelport has connected UBA's website services to provide fully priced seatmap to agencies within a secure desktop environment.
	API Connectivity for Ancillaries and ATPCO Air Canada's new ancillary services are available through ATPCO and UBA's website services.
	Low-Cost Carrier Connectivity for Fares and Ancillaries Universal Desktop supports easyJet fares and ancillaries. Their new Flex fare is now available through UBA's website services and new ancillary services. Travelport and easyJet have also connected UBA's website content to also be available on classic agency desktops.
	API Connectivity for Ancillaries KLM's new ancillary services are available through ATPCO and UBA's website services.
	API Connectivity for Ancillaries The Delta's new ancillary service partnership to date, premium seats with more leg room will soon be available through Travelport GDS. Agents will be able to book premium seats without leaving the agency workflow.

Travelport Ancillary Highlights

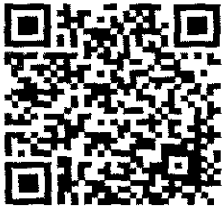
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DELTA	'paid seats' (via API)	<p>June 04, 2012</p> <p>"Delta Air Lines (NYSE: DAL) and Travelport have reached agreement to sell Economy Comfort, Delta's premium Economy product offering more leg room, through Travelport's global distribution system.</p> <p>'Customers today can purchase Economy Comfort directly with Delta at delta.com, through a reservations agent or at the airport via a kiosk or ticket agent,' said Wayne Aaron, vice president -- Marketing Programs and Distribution Strategy at Delta. 'Partnering with Travelport broadens the availability of this popular product to Travelport-affiliated travel agents. We are always willing to work with partners like Travelport who bring value to the distribution chain and can deliver our product on a cost-effective basis.'"</p>



[Home](#) > [Topics](#) > [Distribution](#)

Sabre reached "a new, long-term, full-content agreement" with United Airlines, which calls for the eventual distribution of the carrier's "material" ancillary offerings, including premium-economy seats. As part of the deal, "Sabre and United will co-develop solutions using next-generation technology that will permit United to offer more relevant personalized offers to their loyal customers." The Beat reported an effort already underway for the airline and GDS operator to exchange frequent flyer information to return appropriate price quotes for the sale of Economy Plus seats, which is waived for some elite flyers. Sabre and United also envision "better" promotion of the carrier's products and services "with additional descriptive text and graphics for enhanced on-screen merchandizing within the Sabre Red Workspace and through Sabre Web Services."






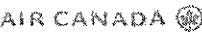


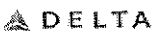
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