



April 8, 2011

Farelogix Presentation to:
US Office of Management and Budget

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Introduction to Farelogix



We are a provider of distribution and management technology solutions for the global travel industry

- **For Travel Suppliers** – provide low cost direct connect distribution technology for greater airline channel control, custom content delivery (ancillary/merchandising), resulting in **immediate distribution savings**.
- **For Travel Agencies** – provide software for content sourcing management and travel-agency controlled business rules, enabling greater agency control, **enriched content and closer supplier relationships**.
- **For Travel Consumers** – although we do not sell solutions directly to consumers, Farelogix technology enables airlines to significantly realize distribution savings and differentiate their product, leading to **lower ticket prices and improved consumer choice**.

Why We Are Here (The Issue at Hand)



- GDS companies and their supporters are advocating legislation and rule making that, if enacted, would cause harm to both airlines and consumers. The proposed rules would:
 - Force airlines to continue using antiquated, high cost and inflexible distribution technology for travel agency (non airline.com) sales
 - Enable the GDS companies to avoid making needed investments into their own platforms, and continue to widen the gap between the capabilities available to travel agencies versus on www.airline.com
 - Restrict consumer choice and access to airline products/services
 - Unfairly protect GDS monopolistic power over airline distribution, including protection of exorbitant GDS fees that translate to higher ticket prices
 - Prevent airlines from marketing and selling products and services in a manner that enables brand differentiation and a move away from “commoditized selling” – which is vital to economic survival of the airline

Setting the Facts Straight (1)



- You may have heard...

*Airlines are attempting to hide fees from consumers;
“Airlines lack a market incentive to solve the problem”.*

- When in fact, the following is true:

*The airline business model relies on repeat business.
Fee information is readily available on websites and major OTA's.*

Setting the Facts Straight (2)



- You may have heard...

Technology has been built to enable airlines to publish fees through the Airline Tariff Publishing Company (ATPCO)...so it is simply a matter of forcing airlines to use it!

- When in fact, the following is true:

The ATPCO solution does not remotely address airline or consumer requirements for shopping and purchasing in a matter that can compete effectively with www.airline.com

Setting the Facts Straight (3)



- You may have heard...

Airlines have not made fee information available, “in a useful way” to the GDSs/travel agency distribution channel.

- When in fact, the following is true:

Due to GDS refusal to invest in their selling platform to accommodate airline and consumer requirements, the airline is extremely limited in what information it can provide using the antiquated, high-cost and inflexible GDS systems.

Setting the Facts Straight (4)



- You may have heard...

There are no Technological Barriers.

Industry standards are in place....so what's the problem?

- When in fact, the following is true:

Sure, there are no technological barriers if you ignore airline and consumer shopping requirements, and force airlines to use limited, antiquated and high-cost technology that ultimately translates to higher ticket fees and restricted consumer choice....

...and if you agree to have the selling display look like this:

Existing GDS points of sale: inflexible, commoditized

>DAS*

ADDITIONAL SVC

FOR DETAIL >DAS*L1

LN	CXR	DESCRIPTION	PTC	AMNT	CUR	M	T	SEG	R	C
1	AA	CROWN ROOM ACCESS	ADT	5.00	USD	N	T	01	N	N
2	AA	HOT DINNER	ADT	15.00	USD	N	F	01	N	N
3	AA	ASSIGNED SEAT	ADT	15.00	USD	Y	F	01	N	N
4	DL	BREAKFAST	ADT	10.00	USD	N	F	02	N	N
5	DL	LOUNGE ACCESS	ADT	10.00	USD	N	T	02	N	N

Sabre Red® Workspace - Sabre Travel Network

File Edit View Tools Window Help

My Booking Tools My Community My Resources **sabre red**

WPNI+P1ADT/1C11+AES-BG2/ML/SA+FFE-UA2/DL5*

BARGAIN FINDER PLUS IN PROGRESS PLEASE WAIT

WPNI+P1ADT/1C11+AES-BG2/ML/SA+FFE-UA2/DL5

CURRENT ITINERARY-ALREADY BOOKED AT LOWEST AVAIL FARE

1 CO 403 B 20OCT T IAH SAN 0735A 0900A 739 0 /E

1ADT 523.10 523.10 AIR EXTRAS - 54.00

1ADT 523.10 523.10 AIR EXTRAS - 54.00

TOTAL FARE - USD 1046.20 TOTAL WITH AIR EXTRAS 1154.20

USE WC*0AE TO DISPLAY FEE DETAILS

BARGAIN FINDER PLUS ITINERARY OPTIONS

OPTION 1

1 UA 1779 B 20OCT T IAH DFW 0220P 0339P 738 0 /E

2 UA 1149 B 20OCT T DFW SAN 0430P -533P 777 0 /E

1ADT 523.10 523.10 AIR EXTRAS - 0.00

1ADT 523.10 523.10 AIR EXTRAS - 0.00

TOTAL FARE - USD 1046.20 TOTAL WITH AIR EXTRAS 1046.20

USE WC*1AE TO DISPLAY FEE DETAILS

OPTION 2

1 CO 1095 B 20OCT T IAH SAN 0900P 1033P 753 0 /E

1ADT 523.10 523.10 AIR EXTRAS - 54.00

1ADT 523.10 523.10 AIR EXTRAS - 54.00

TOTAL FARE - USD 1046.20 TOTAL WITH AIR EXTRAS 1154.20

USE WC*2AE TO DISPLAY FEE DETAILS

Setting the Facts Straight (5)



- You may have heard...

The ATPCO and antiquated, high-cost and inefficient technology of the GDS represent the only possible solution for selling airline fees in the travel agency channel, and must be “forced” upon the market.

- When in fact, the following is true:

Modern, XML based, low cost and highly flexible technology exists that enables airlines to distribute their products and ancillary services through the travel agency channel at a cost savings of 80% relative to GDS legacy technology...with significantly more product choice and differentiation for consumers.

As an example, newer agency point of sale systems look like this:

Modern Travel Agency Sales Platform Example (1)



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



Fare Search

Search											
Results											
Filters + Expand All - Collapse All											
		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	
AA 617	MIA - DFW	08JUL 09:40	11:35	0	0	2:55	757	170.81	200.96	228.56	
AA 278	MIA - DFW	08JUL 12:05	14:00	0	0	2:55	757	170.81	200.96	228.56	
AA 495	MIA - DFW	08JUL 06:30	08:30	0	0	3:00	757	170.81	200.96	228.56	
AA 1379	MIA - DFW	08JUL 07:55	09:55	0	0	3:00	757	170.81	200.96	228.56	
AA 635	MIA - DFW	08JUL 10:40	12:40	0	0	3:00	763	215.46	245.61	273.21	
AA 988	MIA - DFW	08JUL 18:30	20:25	0	0	2:55	757	228.48	258.62	286.23	

Flight	Cities	Depart	Arrive	Cnx	Stops	Duration	→	FLX Saver	FLX Select	FLX Business	
AA 617	MIA - DFW	08JUL 09:40	11:35	0	0	2:55	757	170.81			
AA 278	MIA - DFW	08JUL 12:05	14:00	0	0	2:55	757	170.81			
AA 495	MIA - DFW	08JUL 06:30	08:30	0	0	3:00	757	170.81			
AA 1379	MIA - DFW	08JUL 07:55	09:55	0	0	3:00	757	170.81			

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 Sales 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 flights.	Diabetic Meal/Beverage X	n/a	n/a	included
Options for flight AA 168		ZUMDIECK/M GLD	REIZ/T PLT	GIGOWSKI/J
1st Bag Fee <ul style="list-style-type: none">Baggage allowance is per person.Must comply with weight restrictions.		<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, mobile internet.Activation is governed by FARELOGIX.		<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 chili 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-day flights.		<input type="checkbox"/> 75.00	<input type="checkbox"/> 75.00	<input type="checkbox"/> 75.00

The Proposed Rule Verbiage is No Coincidence...



- Proposed rule verbiage:

*“Share the fee and price information with the independent sales channels through **the same systems** and **in the same manner through which the airline is already distributing** fare and schedule information....”*

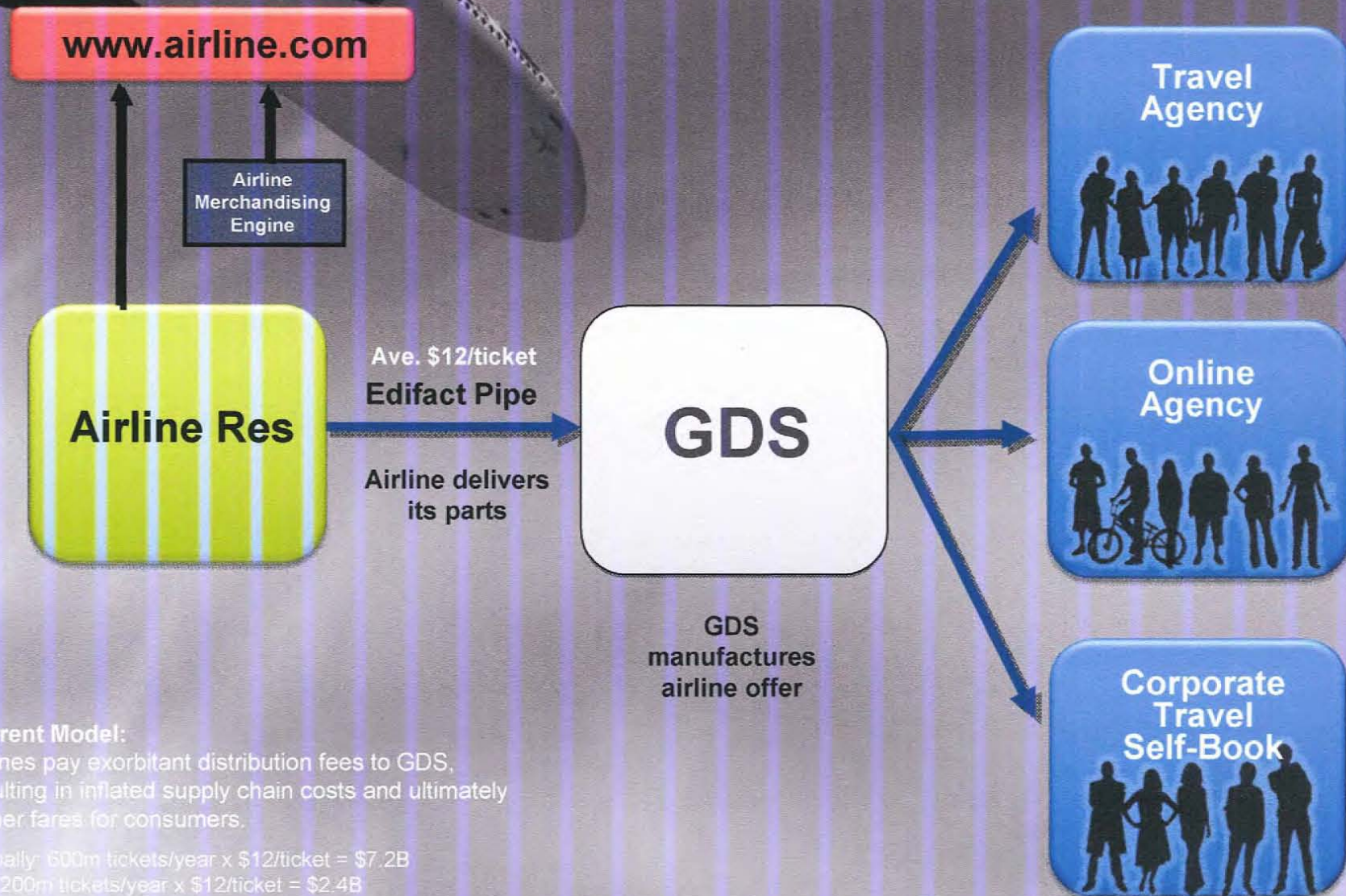
- In other words, the GDS are asking the government to...

- Force the airlines to use the same old limited, antiquated and high-cost technology that ultimately translates to higher ticket fees and restricted consumer choice
- Enable the GDS to avoid investing in their own systems, and to preserve their market power and exorbitant fees charged to the airlines

It is not about consumers or transparency – it is market protectionism!

Why the airline distribution model must evolve

GDS Controls Channel, Content, Delivery, & Display



Current Model:

Airlines pay exorbitant distribution fees to GDS, resulting in inflated supply chain costs and ultimately higher fares for consumers.

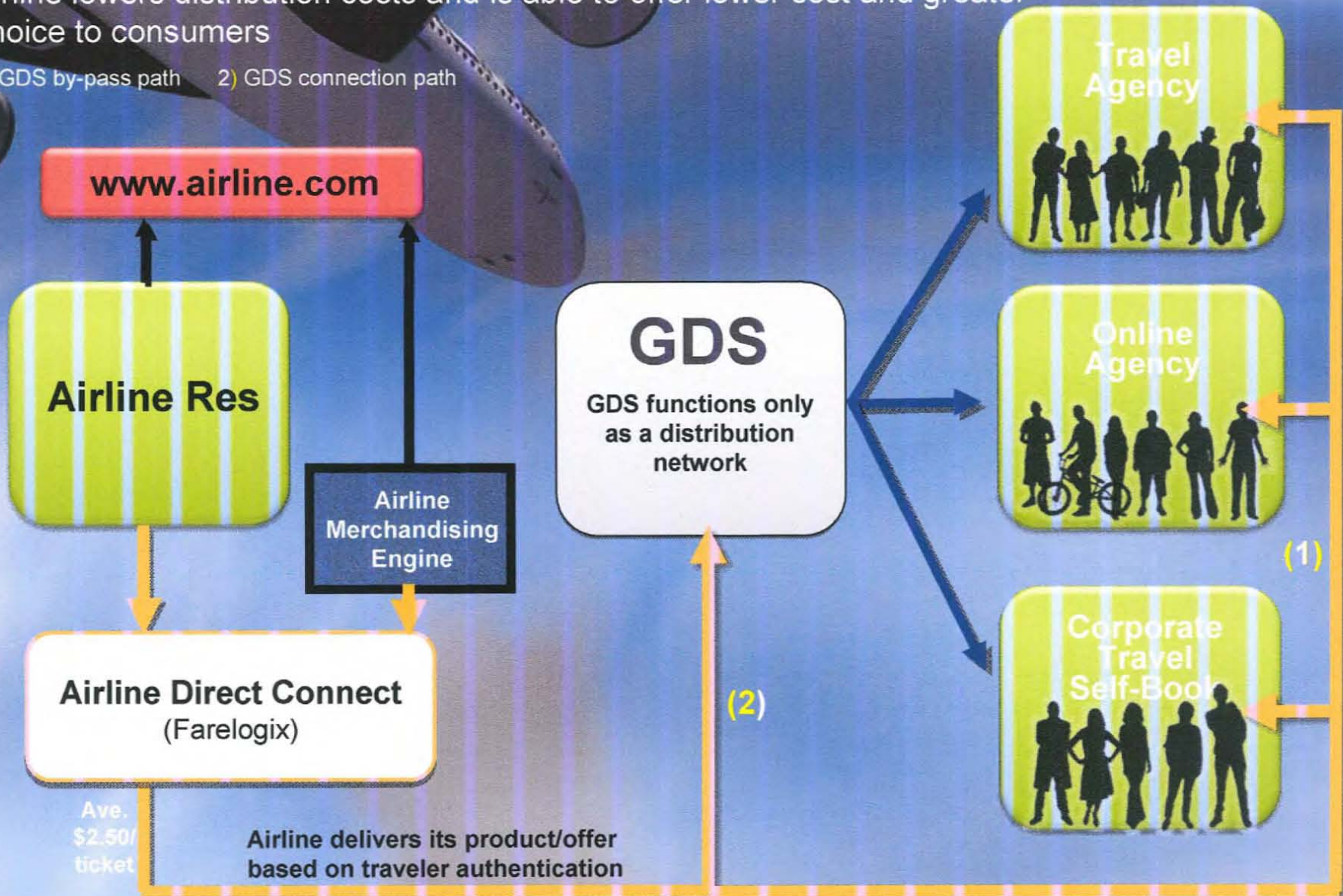
Globally: 600m tickets/year x \$12/ticket = \$7.2B

US: 200m tickets/year x \$12/ticket = \$2.4B

What a Modernized Distribution Model Looks Like

Airline lowers distribution costs and is able to offer lower cost and greater choice to consumers

1) GDS by-pass path 2) GDS connection path



Distribution 2.0 Model: direct connect represents savings upwards of 80%, (>\$5B globally) reducing burden on consumers/ticket prices.

Recap: Protect Choice and Lower Costs for Airlines and Consumers



- The GDS and their supporters are masquerading as consumer advocates in order to preserve an antiquated technology and business model.
- If the DOT/OMB forces airline fee disclosure in the specific manner proposed, the end result will harm consumers in the form of reduced choice and higher ticket prices.
- New technology and solutions exist that will remove billions of unnecessary dollars from the travel supply chain and translate to lower ticket prices for travelers, as well as much needed innovation and competition in the industry.
- Product and service differentiation is simultaneously vital to airline economic survival and consumer satisfaction...let's not get in the way!

Recap: What is at Stake



If a rule is passed to dictate how airlines sell their product, the travel industry will suffer:

- Continued inflated distribution costs forcing higher prices to consumers
- Limited consumer choice and increasing gap between what is available on airline websites versus through travel agencies
- Stifled innovation and competition in the travel distribution marketplace
- Continued GDS monopolistic control over airlines, agencies and ultimately consumers.

Protect Consumers and Airline Innovation. Do not compel airlines to distribute their product or share fee information in specific ways beyond what the free market will support.

Thank You



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