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GDS Issues: 2011

A Seminar for USA

GDS Subscribers

Presenters



- Rose A. Haché, Esq., CTIE
- Law Practice devoted 100% to travel management
- Specialize in GDS automation contracts, ARC compliance, acquisitions, group contracts, and hosting independent contractors
- USA: Guide to Seller of Travel Laws, Author and Licensor

Presenters



- Prof. Dr. Vogel
- Partner with Beiten Burkhardt
- Teaches Travel and Tourism Law at the IUBH Bad Honnef
- Counsel of the German Internet Travel Association

Background - GDS Contract

Old Framework of DOT regulations

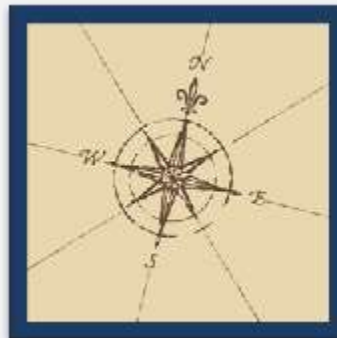
- Length of commitment: 5 years
- Mandatory participation by carriers
- Loyalty could not be enforced



Current State of Marketplace



- Importance of the travel companies, CTD, and information aggregators (GDS)
- Global capabilities are crucial.
- Legacy GDS companies aggressively protect their investments.
- Back office integration (Corporate Travel Policy Compliance, Expense, Oversight, Security)



Marketplace News

- GDS Lawsuits: Enforce Contracts with Participant (Full Content) Carriers
- American Airlines: Direct Connect Strategy
- Content Continuity Program Potential Changes
- Ancillary Fees



GDS Contracts

- Accept lack of predictability
- Marketplace is in transition
- Clients range from \$1M to \$7B
- No “typical” client

Today's GDS Contract Economic Negotiations

Range of contract terms:

- Contract commitment 1-7 years (“Perfect Deal”)
- Requirement for exclusive use/percentage (loyalty)
- Upfront bonus payment
- Tiered Incentive Program vs. #1
- Shortfall fees
- Co-terminus provisions
- Include aggregation clause
- Monthly vs. Annual

Key Questions



- Where do you see your company one year from now? Three to five years from now?
- How many segments do you realistically see producing over the next 12 months? 36months? 72 months?
- U.S. Government contracts at times require a particular GDS

Negotiations

- Verify segment count
- Do not procrastinate
- Delete what you don't need



Negotiations

Get organized:

- Data on past 12 months of segment production
- Know your expiration date(s)



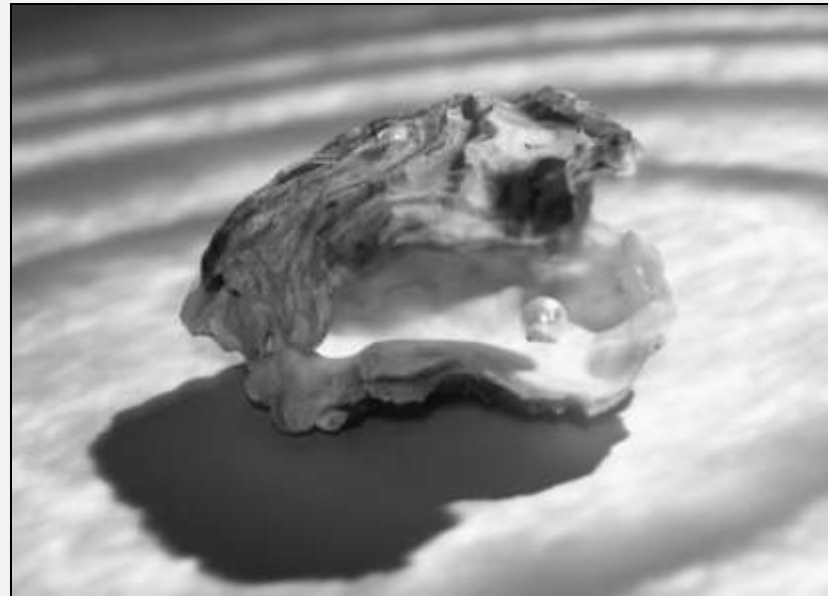
Get organized: What will my monthly bill look like under the new contract? Zero?

- Scan numbers and impact of robotic software
- Unbundled scan or bundled scan?
- Variables cost?



Negotiations

- Technology Fund?
- Acquisition Fund?



Financial Incentives

- Premier Account Status-Beta testing
- Southwest/BBR Booking credit



Financial Incentives

- Payment now due under old contract?
- Spend soft dollars
- Waive penalties for re-contracting
- Shortfalls?



Negotiations

- Software interface issues with chosen GDS
- Supplier requirements: Luftansa
- Consider market share issues



Today's GDS Legal Amendment Negotiations

Verify meeting within 30 days to renegotiate contract if certain events occur/termination:

1. Substantial Loss of Business
2. Loss of Individual Account
3. Loss of Particular Carrier



Legal Amendments

4. Industry event
5. Technology change
6. Loss of Full Content



Legal Amendments



7. Confidentiality language to protect travel agency's database, PNRs, E-mail addresses, and contacts
8. Co-terminus language protection
9. Mirror indemnity language
10. Forced "Migration"

Legal Amendments

11. Impact of potential Participant revenue reduction
12. No charge for deinstallation at end of term
13. Cessation of Business/Shutdown Clause

Negotiations Strategy

Conversions

Do you start with your existing GDS?

- Excellent beginning...
- Call GDS competitors, when and if truly interested in converting 6-12 months prior to expiration of current contract.
- Request 3 references of similar size and mix agencies: What were the pleasant and unpleasant surprises?



Is it best to switch to increase inducements?

Conversions:

- Tolerance for change
- Verify how segments are counted
- Compare multi-leg ticket pricing/convenience, group bookings, vendor (Amtrak) variations
- Software integration for corporate on-line bookings/accounting



Conversions/Content Issues:

- Content of air, cruises, tours, hotels
- Do not assume: equal content
- Inquire: How long are “full content” contracts with most important carriers?



Negotiations

Conversions:

- Impact on productivity and efficiency
- Get their best trainer who “speaks” both languages



Today's Contract Negotiations



“Business is the salt of life.”
~ Voltaire

THANK-YOU!

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GDS – The View from Europe

GDS

- Regulation – current and reform
- Market
- Typical contractual provisions
- Outlook

Regulation



- Why regulation at all?
- GDS has been regulated on a European level
- Current regulation of 2009 – review already underway
- More simplified legal framework needed to ensure functioning

Regulation

- Content of the Regulation
 - Old regulation: strong bias on neutral display
 - Now: tech&market development allow for simplification of legal framework
 - Necessary: unprivileged access and unbiased display
 - Data protection

Regulation

- Fairness of system/providers/owners
- Exclusivity clauses not allowed
- Neutral Display
- Small Subscribers have right of termination with three months notice
- Collection of data/usage of data
- MIDT: subscriber must agree on his data to be included

Regulation

- Major issues for revision
 - full content
 - Direct sales
 - All in all: 55 questions on market , CRS and more...

Market

- Market for subscribers:
 - Size matters
 - Change is incentivized – openly or not – ranging from signing bonus to training
 - Amadeus and SABRE ahead of the pack
 - Apart from traditional CRS: IBE's and package travel oriented GDS coexist
 - Tiered bonus levels, stay bonus and more

Market

- Market for CRS
 - The crystal ball...
 - Direct booking (Ireland nearly 100 %)
 - Google
 - Full content

Typical Contract Clauses

- Technical issues (equipment)
- Fees
- Fake bookings
- scans/look-to-book
- Incentives

Outlook

- Review of 2009 Regulation?
- Relevance of the CRS
- Solutions on a web basis?