

## Anticipated Acquisition by Sabre Holdings Corporation of Farelogix Inc.

### American Airlines: Comments on the Provisional Findings

#### 1. Overview

- 1.1 American Airlines (“**American**”) welcomes the opportunity to comment on the CMA’s provisional findings (the “**Provisional Findings**”) in relation to the acquisition by Sabre Corporation of Farelogix Inc. (“**Farelogix**”) (the “**Merger**”). As a general comment, American supports the overall analysis in the Provisional Findings and in particular the conclusion that the Merger would result in a substantial lessening of competition in the supply of distribution solutions to airlines.
- 1.2 American sets out below its specific comments on the Provisional Findings. These comments are offered in an effort to improve the accuracy and completeness of the Provisional Findings in certain respects. For each comment, American identifies the statement in the Provisional Findings and then provides its comments. Unless otherwise stated, in its comments American adopts the defined terms used in the Provisional Findings.

#### 2. Comments

##### *Paragraphs 44 and 6.56*

- 2.1 Statement in Provisional Findings: “This market [the supply of distribution solutions to airlines on a worldwide basis] includes the services provided by GDSs, distribution solutions based on NDC API (including GDS bypass) and airline.com, for the sale of tickets and ancillary content to travel agents and/or passengers.” (paragraph 44; emphasis added); “This market includes the services provided by GDS, distribution solutions based on NDC API (including GDS bypass) and direct channel (primarily airline.com), for the sale of tickets and ancillary content to travel agents and/or passengers.” (paragraph 6.56; emphasis added)
- 2.2 American comment: This statement is not entirely accurate since airlines are generally not making sales to travel agents. American suggests that the end of the sentence be revised as follows: “sale of tickets and ancillary content through travel agents and/or directly to passengers.” (proposed changes underlined)

##### *Paragraph 3.30*

- 2.3 Statement in Provisional Findings: “Direct connect offers airlines more control over the offer creation process, but direct connect providers generally facilitate more limited post-booking fulfilment functions than GDSs (eg back-office accounting functionality).”
- 2.4 American comment: As explained during the hearing held by the CMA with American (see the excerpt from the hearing transcript below), American has been able to provide critical post-booking servicing capability through NDC connections and this reinforces the extent to which NDC solutions compete with GDSs in terms of distribution solutions for airlines. Back-office accounting functionality for travel agents is in reality a service GDSs provide to travel agents and is distinct from distribution solutions for airlines. The above statement could therefore be made more accurate by deleting “(eg back-office accounting functionality)” and including a new statement along the following lines: “Some airlines, however, have been able to develop

full post-booking servicing through their direct connect solutions, which demonstrates that there is no inherent limitation from an airline perspective in terms of post-booking servicing in the GDS by-pass context.”

Excerpt from transcript of CMA hearing with American:

“([CMA]) Those ones in Brazil, that you are supporting, in terms of this question of rebooking tickets if something – there is a snowstorm and people need to be rescheduled and traveller support is involved in the journey. Is that dealt with through the NDC arrangement or is that done some other way?

([American]) It is dealt with through NDC. For American, we have built our NDC solution with Farelogix to allow travel agents to manage post-ticket servicing, in a way that we understand some airlines have not necessarily made as robust.

For American, we do allow travel agencies, including those in the TMC space in Latin America, to connect post-ticket servicing and reissue tickets and refund et cetera, in a way similar to what they have in the GDS today.”

*Paragraph 5.20(b) and following*

- 2.5 Statement in Provisional Findings: “the interline arrangement between American Airlines and British Airways;”
- 2.6 American comment: American suggests adding the following to the end of this statement: “which functions in the context of a joint business revenue- and cost-sharing agreement with American Airlines and provides British Airways with a strong incentive to integrate the FLX Service;”. At this stage or elsewhere a footnote could be also added noting that the British Airways Agreement (defined in paragraph 5.20(c) of the Provisional Findings) was entered into shortly after the joint business agreement began being implemented after regulatory approvals in July 2010.
- 2.7 The reason why British Airways has a strong incentive to integrate the FLX Service is the joint business agreement with American, not simply the interline relationship. Adding this point here and in a few select places in the paragraphs that follow will provide a more complete and accurate description of the reasons why British Airways made a relevant procurement decision and decided it was in its interest to establish the Farelogix connection after weighing up the various options and related issues. It will also provide useful background and reinforce the point made in paragraph 5.64 about the fee paid by American to Farelogix being covered by the cost-sharing arrangement under the AJB Agreement. In the list below the underlined text are possible additions to existing text:
- (a) Paragraph 5.32: “under the interline and joint business arrangements [...]”;
  - (b) Paragraph 5.35: “the interline/joint business arrangement in place between American Airlines and British Airways;”
  - (c) Paragraph 5.37: Suggested addition to the end of this paragraph underlined: “This interline arrangement is of particular significance from a commercial perspective for British Airways given the joint business revenue- and cost-sharing agreement with

American Airlines covering all transatlantic services of the two airlines.” The sub-heading immediately above this paragraph could also be changed to “The interline/joint business arrangements between American Airlines and British Airways” (addition underlined);

- (d) Paragraph 5.41: “The British Airways Agreement enables the supply of the FLX Service to British Airways in the context of its interline and joint business arrangements with American Airlines”;
- (e) Paragraph 5.42(b): after the sentence with footnote 136, the following sentence could be added: “The joint business revenue- and cost-sharing agreement between American Airlines and British Airways has made British Airways the most significant airline partner of American Airlines and provides a strong incentive for British Airways to integrate the FLX Service.”;
- (f) Paragraph 5.43(b): “the interline and joint business arrangements between American Airlines and British Airways is necessary context to the supply relationship between Farelogix and British Airways for the FLX Service;”
- (g) Paragraph 5.43(c): “in the context of its interline and joint business arrangements with American Airlines”;
- (h) Appendix B – Jurisdiction, Part A, paragraph 4: “American Airlines and British Airways have entered into an interline arrangement which functions in the context of a joint business revenue- and cost-sharing agreement with American Airlines and provides British Airways with a strong incentive to integrate the FLX Service.” The sub-heading immediately before paragraph 4 could also be changed to: “Interline and joint business arrangements between British Airways and American Airlines” (addition underlined); and
- (i) Appendix B – Jurisdiction, Part A, paragraph 12: The following statement could be added at the end of this paragraph: “The AJB Agreement has made British Airways the most significant airline partner of American Airlines and provides a strong incentive for British Airways to integrate the FLX Service.”

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