

GDSs and LTDs

Background

What is a GDS?

GDS stands for Global Distribution System. This a term used to describe the large and sophisticated electronic travel reservation systems currently in use throughout the world.

How many GDS systems are in operation today?

There are currently four major GDS systems in operation – Amadeus, Galileo, Sabre and Worldspan. There are some other smaller local GDS systems, mainly in Asia, but these four are by far the most used systems, comprising the vast majority of the global bookings in the GDS industry.

What's an LTD?

In the past several months, several new companies have announced plans to start operating systems that they claim to be alternatives to GDSs. The GDS industry in general refers to these new entrants as LTDs – Limited Travel Distributors – because they are limited in geographic scope, limited to working with only a handful of airlines and agents, and limited in the types of transactions they are capable of handling.

Capacity for Change

How flexible are the GDS systems? Are they able to change with the changing travel marketplace?

The GDS companies have a proven track record of not just meeting the changing needs and demands of travel suppliers, agents and the international traveling public; they are consistently the thought leaders and innovators in the global travel industry.

What innovations have GDSs brought to the travel marketplace?

GDSs are responsible for some of the most important innovations in the travel industry: innovations like e-ticketing; travel e-commerce; graphic seat selection; and the ability for agents and travelers to view on one screen, public, private/negotiated, consolidator and Web fares.

Scope of Services

What services do the four major GDS companies offer?

GDS companies offer far more than just simple air travel bookings. GDS systems are capable of booking:

- One way and roundtrip airline seats
- hotel rooms
- rental cars
- tours and packages
- cruises
- insurance
- restaurant reservations
- theatre tickets
- itinerary changes
- complex international routings
- rail
- ferry
- limousines

What services do LTDs offer?

Once operational, LTDs state that they will be capable of booking:

- One way and roundtrip airline seats

Can a traveler book his or her entire itinerary through a GDS system?

Yes. A traveler can book an airline reservation, airport transfers, a rental car, hotel reservations, sightseeing cruises, theater tickets and dinner reservations and more – all in a single itinerary, through a single GDS system.

Value

LTDs have claimed that they can save airlines money by processing reservations for just \$3.00 per ticket. Can the GDSs match this?

Comparing the LTD fee with the GDS fee is like comparing apples to oranges.

The LTD fee is a basic transaction fee to purchase a simple one-way or round-trip airline ticket in the US market. The fee charged by GDSs for these same simple bookings is comparable to that of the LTDs.

GDSs, however, also handle more complex and global transactions, provide additional services requested by customers, provide training to travel agents and travel suppliers, offer help desk support for customers and remit payments to travel agents.

Additionally, while GDSs use the one-stop shopping integrated business model, LTDs use a business model where many different companies provide services. This

approach will certainly shift costs in the travel distribution marketplace, but it won't necessarily reduce costs.

Customers have demanded the more integrated approach of the GDS model because they have seen that more fragmented business models have proven to be an inefficient way of doing business.

What additional services or capabilities does a travel agent or travel supplier receive from a GDS that they would not receive from an LTD?

A typical itinerary booked through a GDS will generally be more complex. It will often have several flight segments. The fees will include a transaction fee, a fee to cover costs for call center operations and other support services, among other costs.

A typical itinerary booked through an LTD will most likely have only one or two flight segments (only for a few airlines and only in the U.S.) and include only a transaction fee. LTDs have publicly stated that they will not remit any payments to travel agents and will not offer any support services for travel agents and travel suppliers.

What is the \$12.50/booking GDS fee that's talked about so much in the media?

There is no single GDS fee. The usual fees vary from GDS to GDS and from transaction to transaction. In essence, there is no basis in fact to accept a \$12.50/booking GDS fee as the norm. Further, some GDS pricing is now value-based and not cost-based, and takes into account the differing values offered to airlines for different types of services provided.

Business Relationships

What is the relationship between GDS systems and the airlines?

GDS systems have multi-year contracts with hundreds of airlines to manage their complex and ever-changing reservation needs.

What is the relationship between GDS systems and travel agents?

Travel agents have multi-year contracts with GDS systems to gain access to the broad range of travel offerings to which GDSs provide access. These contracts provide multi-year guaranteed levels of compensation for agents, and assured agencies have certainty about their cost of automation.

Do all airlines book their reservations through GDS systems?

Most airlines use GDS systems; however, some airlines still manage reservations on their own proprietary systems. Jet Blue Airlines, for instance, operates its own proprietary reservation system.

System Performance

Some have characterized GDS systems as outdated, inflexible and expensive. Is this true?

No. GDS systems use the fastest, most reliable enterprise architecture available. They use open systems, including the latest systems technology on the market for communications interface, including XML and EDIFACT. GDS systems are proven as fast, efficient, reliable, secure, comprehensive – and global.

How many transactions do GDS systems process per second?

GDS systems are capable of processing up to 17,000 travel-related messages per second during peak times, with response times of a fraction of a second.

ITSA, the Interactive Travel Services Association, is the industry representative for travel distribution companies throughout the world.