NY Court Rebuffs Amadeus Attempt To Block Airline Fee

AUGUST 24, 2006 -- A U.S. district court in New York today rejected Amadeus' attempt to bar American Airlines from imposing their upcoming $3.50 per-segment fee on Amadeus GDS subscribers. The fate of a similar injunction requested by the GDS against Northwest will be determined next week. If passed, the GDS's clients must pay the fees to both carriers beginning Sept. 1—a consequence that, the GDS argued, would "gut" its U.S. operations and shift Amadeus subscribers to other global distribution systems.

Amadeus on Aug. 10 filed a request for arbitration and injunctive relief against American Airlines and Northwest Airlines and their plan to impose the fee for bookings made through nonpreferred channels, including Amadeus. Amadeus said the fees violate its contracts with the carriers by treating its subscribers "less favorably than other GDS customers."

During court proceedings, however, American Airlines representatives argued that Amadeus was offered similar economics that it had signed with other GDSs, which are protected from such fees. Furthermore, the carrier argued that since Amadeus has not fallen in line with other GDSs in offering an "opt-in" program or offering "its subscribers a competitively priced booking option," that the GDS has "refused to compete."

"Throughout their negotiations, American has offered Amadeus a variety of options consistent with the changing marketplace and on par with its competitors, each with a larger domestic presence," David Cush, American Airlines senior vice president of global sales, noted in testimony.

Amadeus has lagged behind the other GDSs in structuring new carrier contracts, but last month said it signed a "long-term" content agreement with US Airways, representing its first distribution pact with a major U.S. carrier since GDS deregulation. Amadeus last month said it is in ongoing discussions with "all of the major carriers in North America regarding content distribution" and that the GDS has secured several extensions.

Amadeus throughout the court proceedings held steadfast to its view that being subject to the $3.50 fee would cause irreparable damage to its U.S. business. Although the GDS holds the most marketshare worldwide, as noted throughout court documents, it holds only about 8 percent of the U.S. market-a figure the GDS suspects will dwindle after the Sept. 1 start date for the new distribution landscape.

"Because the vast majority of travel agents use the services of only one GDS, the threatened imposition of surcharges will operate to drive those agencies to other GDSs for all of their bookings, thereby causing Amadeus to lose all of its U.S. business for such agents, not merely its revenue from U.S.-originating bookings on American and Northwest," Amadeus noted in court documents last week, highlighting what it said is the irreparable harm of the fees.

American already is working to move that marketshare. As the carrier has yet to sign new deals with Amadeus or Sabre, it has been actively marketing itself with Worldspan and Galileo-the two GDSs with which the largest carrier has secured deals. According to court documents, American and Worldspan have solicited Amadeus agents, encouraging them to move away from the GDS. "Our marketing personnel report that Worldspan and other favored distribution channels have been aggressively marketing their services to Amadeus agencies in recent days since the Source Premium Policy was announced, using the American program as a hook to argue that these agents should abandon Amadeus," Amadeus noted in a court document filed this week. Galileo, meanwhile, also said that it has been bolstering marketing efforts with American. The carrier today said it has yet to resume content talks with Sabre.