

**Remarks by Sam Gilliland
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FVW Kongress, Köln, Germany
19 September 2007**

“The True Multi-Channel Players: Why nothing works without GDSs”

Thank you, Georg. Ladies and gentlemen, colleagues from the travel industry, thank you very much for the invitation to speak here today.

I'm pleased to see so many of you here despite the great Deutsche Bahn party last night. It's always good to see so many people in our industry and to spend time with colleagues.

Georg asked me to speak today about “Why nothing works without GDSs”.

First of all... that would be a pretty strong statement to make... and clearly there are those that would debate such a position. But given my strong biases... I'll accept the challenge and give you my strongly biased perspective. I hope, however, that you will come to agree... before I'm done this morning... that my bias is more objective than subjective.

So... I spent a few minutes thinking about life without the GDS.

SLIDE SHOW STARTS

So... there you have it, Georg. You ask for a simple speech on the topic, and my marketing department goes wild. And I'll concede to a bit of exaggeration, but with an intent to make things more clear. In any case, the topic I was given "Why Nothing Works Without the GDS"... is very pertinent.

And thank you, Georg, for permission to corrupt your magazine covers for a few moments!

Of course, this reality – that nothing works (or at least nothing works WELL) without the GDS – this hasn't stopped people from trying to eliminate the GDS. In the past ten or 12 years, we've seen many attempts to do without the GDSs, or to bypass the GDS. Direct connections between individual agencies and individual suppliers.

We've seen so called GDS new entrants come...and go. We've seen headlines about airline alliance-based reservations systems. There have been content aggregators. Airline agency portals come and go with regular frequency, as you know very well in Germany. And there are corporate portals. You name it, they've tried it. And yet the GDSs are still very much vital links between tens of thousands of buyers and sellers of travel.

In reality, except for a few niche circumstances, I would suggest that all of this effort has been short-sighted. Our customers – and by that I mean travelers – they want us to work in their best interests. That includes cooperating where we can as an industry and allowing them to buy services in the most convenient way for THEM, not for US. They don't want us to rip apart different parts of the industry because we care more about our short-term self interests than we do about our mutual customers. People wonder why the travel industry gets criticized by customers, and I would answer that it's because there's been too little cooperation among the various sectors of the industry,

and too much short-term self interest. And that's been detrimental to all of our long-term interests.

I think two examples from the airline industry illustrate this quite well.

It took our industry 10 years...and a lot of arm twisting...to develop and implement industry standards for interline e-ticketing. Did our customers...the travelers...want e-ticketing? Absolutely. Did we give it to them as quickly as we could have? Absolutely not. What kept us from rolling out industry standards sooner? Well, there were technology hurdles, but I'd suggest the primary reason was very simple: short-term self-interest. Because various actors were focused most closely on their own self interests, everyone's long term interests suffered. So, our customers suffered...thousands of them experienced cumbersome delays at airports with paper tickets years after we could have already had interline e-ticketing. And our bottom lines suffered, too.

Now I should explain that when I promote cooperation, I'm not talking about collusion between competitors. Far from it.

Competition between airlines...competition between GDSs...competition between tour operators and between hotels...it's all very good for the customer. But there are many places for more cooperation that will advance the welfare of customers where there is little cooperation today. And because we aren't cooperating, we have a weaker industry that doesn't serve customers as well as it could.

Today, airlines in many regions want merchandising capabilities, the ability to sell their products and services consistently across channels.

At Sabre, we've launched new merchandising tools at Qantas in Australia and Midwest Airlines in the U.S. For example, Qantas can now communicate how they differentiate their fares and fare families in more powerful ways, right at the agent desktop in the GDS. This allows them to consistently brand their fares across channels.

But we are only scratching the surface right now on how these tools might evolve. And we see this as very similar to e-ticketing: we can

waste a lot of time and money working on one-off solutions for each individual airline, based on that airline's own short-term self interests. Or we can cooperate on solutions, which will be in our industry's long-term interest, as well as our customers'. So... as we meet with airlines... we are asking the industry to work together to develop industry standards for these new merchandising capabilities.

When we as an industry cooperate and focus on the customer...on travelers...we all win in the long run. When we try to go our own ways to satisfy only ourselves, we all lose...as we further confuse travelers.

You may have seen recently that we are cooperating with Amadeus in a new joint venture to provide secure, automated payment and clearing solutions to the global travel industry...an area where we don't compete. Could we have done this on our own? Perhaps. Could Amadeus have done this on its own? Maybe. Instead, however, we chose to build an industry standard solution to better

meet the requirements of our mutual customers...both suppliers and agencies.

At Sabre, we also cooperated with rail companies in Europe to find and build a platform where all rail suppliers, travel agencies and travelers can come together to buy and sell rail products using an integrated means of booking. And because it replicates the way air, car and hotel bookings are currently made, travel agents will find it easier and faster to shop and book rail travel.

This topic of cooperation ties in well, actually, with the question Georg asked me to discuss today..."Why Nothing Works without the GDSs." But rather than opting for the drama from the headlines we showed, I'd like to turn that question around. Instead, I think we should ask why things work so well *with* the GDSs?

The answer is, GDSs are the most Comprehensive, the most Efficient, and the most Integrated solutions available today. No other systems bring more suppliers together with more buyers in one place. No

other systems streamline processes on the magnitude that GDSs do. No other systems are used to sell more travel in more ways and give more travelers more travel information. And that serves our mutual customers well.

The more comprehensive, the more efficient, the more complete... the better we can provide value to everyone, including the end traveler.

Too often companies seemingly want to throw all of this away... this comprehensiveness, this efficiency, this integration that drives value. But each of these components is important to our offering...and important to the industry... important to the customer, and difficult to replace. That's why we're still around.

So... let me talk about each of these components in a bit more detail.

Comprehensive

We work very hard to be comprehensive. That means comprehensive for agency customers and travelers. But it also means the same for our supplier customers...the airlines, rail operators, hoteliers and car rental companies.

At Sabre, we signed more than 380 airlines to new full-content distribution agreements in the past year or so, including long-term agreements with the largest carriers – among them Lufthansa, Air France, British Airways and Swiss. Today we have about 80,000 hotels connected through Sabre, up from 65,000 two years ago. Other GDSs are growing their hotel bases, as well. And, we introduced our Rate Assured program, which ensures that the right hotel rates are in the GDS for 200 different hotel brands. We want agencies and travelers to have full access to comprehensive information, and that's what we seek from our supplier customers on behalf of our agency customers and their customers.

On the other hand, our supplier customers want comprehensive access to as many travelers as possible, so by offering more eyeballs to more

suppliers, the GDSs bring value to everyone. It also helps to attract the right eyeballs. In 2006, GDSs delivered an average daily rate for hotels that was 41% higher than that of on-line sites, according to TravelClick.

This comprehensive mix of customers means GDSs are uniquely positioned to help hotels merchandise through programs like our Hotel Upsell – now rolled out to 30,000 agencies and over 7500 hotels.

Upsell allows participating hotels to offer a higher-rated product at the time of sale, and our network of travel agencies are producing 12% higher revenue on upsell transactions. Another great example is our Spotlight merchandising program, which generates a 5.8 times greater conversion for participating properties.

Airlines also get a more comprehensive mix of customers, and it's paying off. In fact, some airlines that had once dismissed the GDSs – including many low-cost carriers – are now coming on board, and this is proving the value of our access to customers. Take for example JetBlue in the U.S. market. When JetBlue returned to Sabre and other

GDSs in 2006, its average GDS booking – net of GDS costs – was \$35 greater than at jetblue.com. But that’s actually at the low end of the spectrum. Most airlines see average yields as much as 30% higher through the GDS than through their own Web sites.

Now, I mention comprehensiveness first, and that’s for a reason. For the GDSs to provide value, they must deliver complete information to customers. At Sabre, we’re very eager to compete with other GDSs in an open marketplace for this access. That’s why we supported deregulation in the United States after the last U.S. carriers shed their interests in GDSs. This eliminated incentives for airlines to prefer one GDS over all others. It eliminated incentives for the GDSs to prefer some airlines over others. And it allowed everyone to compete for complete access.

I should add... that we would like the same thing in Europe, but only once the last EU-based carrier divests its interest in a GDS. Until

then, we are convinced that the only way to have open market access for GDSs and airlines is with safeguards for competition.

Today, and for many years, we've had a key safeguard requiring any airline owning an interest in an EU-based GDS to not discriminate against competing GDSs or the travel agencies and travelers who use them. This safeguard guarantees comprehensive content.

In Europe, three airlines still have ownership stakes in a GDS. We and numerous others in the industry – including TUI4U and AER, along with Galileo – are concerned that complete deregulation could negatively impact competition, unless and until the last airline sheds its ownership position in a GDS. Without regulatory safeguards, the airlines owning the GDS would have an incentive to favor the GDS they own over all others.

Competing in an open marketplace for business makes everyone healthier. It makes GDSs innovate around things like value, cost and price. It drives suppliers to compete vigorously with each other for

access to the corporations and leisure travelers booking through GDS-enabled travel agencies. And that, in the end, benefits travelers.

But the marketplace cannot be “open” if large airlines owning stakes in a GDS are not obligated by law to treat competing GDSs and their users fairly. So it’s critical that the European Commission get this right...that they don’t overlook this threat to comprehensive and competitive offerings.

Efficiency

Just as it’s critical that we be comprehensive with our content, our customers also expect us to deliver that content efficiently. And “efficiency” is a critical reason why the GDSs work so well.

Unlike all of the attempts to bypass the GDS – the agency portals, the corporate portals, the direct connects – GDSs are much more efficient.

The GDS is the one place with direct connects to both tens of

thousands of suppliers and hundreds of millions of consumers. This, in itself, drives efficiency.

Agency portals are less efficient because agencies have to connect to many portals to get what they can otherwise achieve with one GDS connection. Corporate portals have the same problem for corporations, and are clearly oriented or biased toward the airlines offering them. Direct connects require hundreds of similar connections if the supplier or consumer is going to have access to the supply or demand they can get through the GDS.

We also add efficiency through the tools we offer in the marketplace. Here in Germany, we support the whole agency workflow with our integrated front-, mid- and back- office solution in MySabre+merlin. In Germany alone, we have more than 1200 customers for our mid-office. Yesterday we launched the multi-GDS capability for our mid-office, so others can easily connect to this solution. That means it can interface with Amadeus. This is a good example of the flexibility of the GDS...as well as our own customer-centered philosophy.

And we continue to find new ways to add value through efficiency, including through industry cooperation. Our non-air settlement solution with Amadeus is a perfect example. There are some very good settlement solutions in the airline industry, but there are no industry standards for settlement in other areas. By cooperating to build an industry standard settlement solution, we can clear up processes and improve settlement, all of which makes supplier and agency processes more efficient.

In our corporate self-booking tools and our consumer offerings, we build efficiency by improving ease of use...whether it's better displays, easier purchasing tools or a cleaner look and feel. In turn, we can use our knowledge in the online space to help suppliers and agencies create efficiency when we build and maintain booking tools for them and their Web sites. Our corporate customers tell us that with the new consumer interface for our online corporate booking tool, GetThere, adoption is soaring. With Turbo Sabre, we jointly

develop with our corporate customers a front office that achieves up to 30% fewer keystrokes.

Efficiency also means that we can build platforms globally and execute locally, based on local customer needs. Again, MySabre+merlin is an example of this.

So...ease-of-use, better mid-office and back office tools, merchandising capabilities right in the agency desktop, settlement solutions, streamlined operations, better connectivity to more customers and tour operator tools. It all leads to more efficiency for everyone. And it all comes on top of the efficiency we already have from our scale. And that makes efficiency an important component of why things work so well *with* the GDS.

Integration

But being comprehensive...having all these connections... having all these customers...and delivering efficient distribution... having all

these tools...in my opinion, is not enough. The other ingredient that makes everything work so well *with* the GDS... is integration. We can offer business solutions for many customer segments – agency solutions, corporate booking tools, airline solutions, and many more – and they are all integrated into the GDS.

Let's start with our multi-channel approach.

Because we own online assets, we have unique insights into the end traveler. So we use our knowledge from the online channel to build better tools for the agency channel, and even for the supplier direct channel...all so suppliers and agencies can serve the traveler better.

Other GDSs are doing similar things.

We've learned a lot about merchandising through our online businesses. And we've taken that learning and integrated it into every other part of our business. We're helping agencies market their products; we are helping airlines sell branded fares in all channels; we are helping hoteliers merchandise in the GDS and through their own

Web sites; we are helping car hire companies and cruise lines to upsell; we are building better selling tools for airline Web sites; and we are even doing a better job of helping corporations increase adoption in the online booking tool.

Our SynXis business is a good example of how we are using our multi-channel experience to support suppliers end-to-end. SynXis provides the central reservations capabilities for 8,000 hotel properties and many chains, including Peninsula, Millennium & Copthorne and Rosewood. We help hotels distribute through all the GDSs and all the online travel agencies, we provide call center technology, and we enable direct distribution by building Web sites and booking engines for hotels. Beyond technology, though, SynXis helps hoteliers to market across these channels...things like revenue management across channels, CRM, or optimizing their own Web sites for Google, Yahoo and other search engines – even answering the phones for hoteliers if they so choose. SynXis is an example of how we get full visibility to both distribution and marketing by participating in all channels...and how that integrated visibility is paying off for our supplier customers.

So being multi-channel is not just about participating in the online space...it's also about learning...and using that learning to meet traveler needs. This portfolio approach helps agencies deliver higher yield sales. It helps airlines, car hire companies, cruise lines and hotels merchandise better. So each business within our portfolio strengthens the other businesses and helps their customers.

Of course, all this integration gives us economies of scale, so it allows us to innovate around cost and price, and underscores my belief that “things work well *with* the GDS.”... Because we are comprehensive, we are efficient and we are integrated. And that's good for the entire travel value chain... from supplier all the way through to the customer.

Of course, all this talk about customers... may seem unlikely to many of you, given my company's...and the other GDSs private ownership. After all, we can't possibly be focused on customers when we are owned by private equity firms, right?

I know that a prominent politician here in Germany has called private equity firms “Heuschrecken.” Now... I don’t mind if that is true for our competitors’ owners. But I do know that our new owners are not locusts. “Sie sind keine Heuschrecken.” (They are not locusts.)

When TPG and Silver Lake Partners, two private equity firms, purchased Sabre in March of this year, they made it clear to us that they want to *add* value to our company...they agree with our portfolio approach, and they want to add value by investing where it makes sense, not to ruthlessly cut costs across the business.

And they are following through on this. For example... this year, we’ve increased our development budget by 10 million dollars over what we had previously planned. And it’s incredible what you can accomplish without Wall Street watching every step you take. I know we’ve become much more focused on the long-term.

You can also think about your customers with a new freshness.

We've always driven a culture of customer-focus, but we really can fulfill that even more with our new ownership because we can invest based on customer needs even more than before. We think this will establish us as a stronger, more complete, more efficient, more integrated company for the future.

Of course, the future is not something that we determine ourselves. It's not something even our industry can determine itself. It will be determined, ultimately, by what our customers want and need. The ideas that meet customer needs will rule the day. Our industry's squabbles aren't anything they much care about, except when it limits their choices or inconveniences them.

Today, our customers expect us to understand them better than before, and increasingly that means we need to better understand them on a global basis.

Just about four years ago, only 15 percent of our employees were based outside of North America. Today, 55 percent are based outside North America. One third of our employees are in Europe. We now base key functions of our business in Europe, including our Point of Sale Solutions group. A significant portion of our development work – and our global accounting function is led from Europe. It goes without saying that when you have European consumers building your product and running more and more parts of your business, your business will think more and more with the global customer in mind.

All of this puts us closer to our customers. We used to have our engineers... our software developers almost entirely based in the United States. Now we develop products in many places...places such as Hamburg, Leverkusen, Krakow, Bangalore, Sydney and Buenos Aires. We can now build more products for more people in more places and with more global insight than ever before.

And we think our ownership change, combined with our growing global knowledge as the worldwide market leader with 37% share, positions us well for the future.

And what will that future hold?

Well, a lot of people back home are trying to predict the future of our presidential election, even though it is more than a year away. You hear them talking about Hillary this and Hillary that. Or Barack this or Obama that. Or Giuliani or many of the others. They're obsessed.

But I can predict the outcome of the election. I know how it will end, so listen carefully. The outcome will be...it will be whatever the voters decide.

And just as the voters will decide that election – our customers will decide our future. Just like 10 years ago, when we heard from customers that we needed to be in the online space...and just like today, as our customers want us closer to their business...10 years

from now, we will be listening and executing on our customers' needs.

And we know that as long as the GDSs are comprehensive, efficient and integrated – and as long as we are listening to our customers – things will continue to work best *with* the GDS.

PAUSE

Thank you very much for your time today and for your interest. I'll be glad to take your questions.