

## JUSTICE NEWS

**Department of Justice**

Office of Public Affairs

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### **Justice Department Sues to Block Sabre's Acquisition of Farelogix**

#### **Acquisition Would Eliminate Disruptive Competitor, Leading to Higher Prices as Well As Reduced Quality and Innovation in Airline Booking Services**

The Department of Justice filed a civil antitrust lawsuit today seeking to block Sabre Corporation's \$360 million acquisition of Farelogix, Inc. The Department said that Sabre and Farelogix compete head-to-head to provide booking services to airlines. Booking services are IT solutions that allow airlines to sell tickets and ancillary products through traditional brick-and-mortar and online travel agencies to the traveling public. The Department said that the acquisition would eliminate competition that has substantially benefitted airlines and consumers.

The Antitrust Division's lawsuit alleges that the transaction would allow Sabre, the largest booking services provider in the United States, to eliminate a disruptive competitor that has introduced new technology to the travel industry and is poised to grow significantly.

"Sabre's proposed acquisition of Farelogix is a dominant firm's attempt to take out a disruptive competitor that has been an important source of competition and innovation," said Assistant Attorney General Makan Delrahim of the Justice Department's Antitrust Division. "If allowed to proceed, the acquisition would likely result in higher prices, reduced quality, and less innovation for airlines and, ultimately, traveling American consumers."

As alleged in the complaint, Sabre is the dominant provider of booking services in the United States with over 50 percent of airline bookings through travel agencies. Sabre operates a global distribution system, or GDS, which is a digital platform that provides booking services to airlines in addition to other functionality. For many years, Sabre has operated outdated technology and resisted innovation. Farelogix is an innovative technology company that has stepped in to address the needs of airlines and their customers.

As alleged in the complaint, Farelogix has injected much-needed competition and innovation into stagnant booking services markets. Airlines have successfully leveraged their ability to turn to Farelogix to negotiate lower fees with Sabre and the other GDSs, and to reduce their reliance on GDSs for booking services. Farelogix has also pioneered the development of new technology that empowers airlines to make a wider array of offers to travelers who book tickets through travel agencies. This new technology enables airlines to make more varied and personalized offers to consumers who book through travel agents, including bundles of ancillary products such as wi-fi, lounge passes, entertainment options, and meals – choices not available to travelers through Sabre's legacy technology.

According to the complaint, filed in the U.S. District Court for the District of Delaware, Sabre executives have acknowledged that acquiring Farelogix would eliminate a competitive threat and further entrench Sabre in booking services. For example, on the day Sabre announced its intention to buy Farelogix, Sabre's chief sales officer texted a colleague that one major U.S. airline would "hate" it. The colleague replied, "Why, because it entrenches us more?" Similarly, a Farelogix executive observed that buying the company would allow Sabre to "tak[e] out a strong competitor vs. continued competition and price pressure."

As alleged in the complaint, Sabre's attempt to acquire Farelogix follows many other attempts by Sabre to neutralize its competitor, including a campaign to "shut down Farelogix." Indeed, Farelogix has long complained about Sabre's tactics, alleging that Sabre has sought to stifle competition. For example, in 2013, Farelogix's CEO alleged that "Sabre has wielded its monopoly power in an attempt to destroy Farelogix and prevent competition. . ." And just last year, Farelogix's CEO told European antitrust authorities that Sabre and the other two major GDSs

“continue to leverage significant market power to preserve their market position and stifle innovation.” Now that Farelogix has gained a foothold in booking services and is poised to grow, Sabre seeks to eliminate this scrappy competitor once and for all by acquiring it.

Sabre Corp. is a Delaware corporation headquartered in Southlake, Texas. Sabre operates the largest global distribution system in the United States. Sabre’s 2018 revenues were approximately \$3.9 billion.

Farelogix, Inc. is a Delaware corporation headquartered in Miami, Florida. Farelogix offers a next-generation booking services solution, known as Open Connect. In 2018, Farelogix earned approximately \$42 million in revenues.

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**Attachment(s):**

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**Topic(s):**

Antitrust

**Component(s):**

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