LUFTHANSA BEGINS GDS SURCHARGE, CLAIMS DIRECT CONNECTIVITY GAINING INTEREST

News / Airlines

European carrier Lufthansa has not bowed to any of the industry pressure of recent months and today introduced its controversial GDS levy.

Every booking made via an intermediary using a global distribution system (Sabre, Travelport or Amadeus) will now face an additional Eur16 levy on the fare.

Lufthansa announced in June that it would begin the Distribution Cost Charge on September 1, triggering reams of speculation as to the carrier's motives and anger from the GDSs and travel agencies that the levy would restrict competition and would be "manifestly illegal".

The airline says the introduction of the DCC is, in part, a manoeuvre to cut down on the three-digit million Euro amount it pays to GDSs each year, a model it claims "doesn't have to be this way" and the industry should therefore accept "freedom in distribution".

Some intermediaries claimed they would boycott Lufthansa as a result of the levy, but only one significant threat of a move to derail the introduction was made, namely by a group of European

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online travel agencies.

The OTAs included two of the big guns in Europe, Lastminute.com Group and eDreams Odigeo, alongside Travelgenio, Travelplanet24, Travix (run by BCD Travel), Unister Travel, e-Travel and Etraveli.

Three weeks ago, in a letter obtained by Tnooz to Lufthansa Group CEO and chairman, Carsten Spohr, UK-based law firm Simmons & Simmons demanded the DCC be axed and hinted at legal options available to it if the airline ignored its request.

Such moves included applying for "injunctive relief" in the courts (a legal move to halt proceedings).

However, following the passing of a August 21 deadline, Simmons & Simmons last week told Tnooz there was "nothing to report".

Sources within the group suggested there may be a late move on Monday August 31 to stop the DCC but this has yet to come to fruition.

Although the GDSs have spoken of their disappointment over Lufthansa's decision (Amadeus suggested the airline had lost the trust of the industry), none have officially joined any of the various groups created to oppose the DCC.

In a statement this morning, Lufthansa says it has reached a "major milestone" in a plan to modernise its "present product structures". It claims "direct connect booking channels are generating strong interest among industry partners", although doesn't detail any particular brands or services.

Chief commercial officer Jens Bischof says: "The market is clearly ready for innovations and developments of this kind. Our realignment of our distribution has prompted an intensive exchange of views and experiences within our industry."

Bischof admits the the introduction of DCC "has had its share of controversy", adding: "But we are still as convinced as ever that offering advanced and, at the same time, substantially cheaper additional booking channels -- that also allow us to better present our products -- is in our customers' best interests. "And that's why we consistently pursue the further development of our distribution channels."

There still remains some confusion as to how many ticket types will be included in the DCC, especially those issued as part of codeshare agreements with Lufthansa. Agencies in a number of countries, including Brazil and China, have found themselves exempt from the levy due to taxation issues over the temporary IATA code being used.

Still, Lufthansa claims it is forging ahead with creating booking platforms for its major corporate customers to give them and their agency handlers direct access to products within the Lufthansa Group (Lufthansa, Austrian Airlines, Brussels Airlines, and Swiss International Airlines).

Bischof claims: "We want to work together with the travel agents and the global distribution systems to make the sale of air tickets more up-to-date, more inexpensive and more customer-minded. "And to this end we have swiftly developed a range of IT solutions that will be offered to our customers in the near future."

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