

T2RL'S First View is our rapid analysis of breaking news. It helps provide perspective, putting the facts in the context of our wider and deeper knowledge of the market.

## Air France's Timetable for Retirement

T2R Staff

### The Facts

At its customer conference in Paris, Air France has confirmed the retirement dates for its commercial IT systems. The Inventory system, Alpha 3, will be retired ahead of schedule at the end of 2010 and the Departure Control System (DCS), Gaetan, in mid-2012. Migrations to Amadeus have already begun. Air France and KLM have been on Amadeus's Altea Inventory since the middle of 2010. DCS migrations will begin in 2011 to allow for additional enhancements to the Amadeus system that are required to avoid loss of functionality for current Gaetan users.

### The Analysis

Air France has commercialised its applications to other airlines for more than 30 years. Gaetan DCS and Alpha 3 Inventory are well known to a number of French-speaking airlines and ground handlers alike. However the announcement of their retirement comes as no surprise. Air France has been signalling the end of life for the applications for some time.

Migrations to Amadeus Altea Inventory have been proceeding rapidly. Air France customer airlines will complete migration of Inventory ahead of schedule. DCS migrations have proved more complex and in general are moving at a slower pace. The migration of Gaetan users to the Altea Departure Control System will follow a longer course, with customer airlines leading the way. Air France plans to migrate its home hubs around mid-2012.

This is a costly exercise. Air France/KLM already has over 200 people working on the project. These people will remain on board for the next two years, with significant increases in manpower once the migration of outstations begins. Following pilot implementations the main cutovers are planned at a pace of about 5 stations per week.

We estimate over \$50M of internal costs and expenditure for the project, excluding the cost of services from Amadeus.

### The Speculation

Unisys's market decline appears terminal. With SAS en route any time soon, Lufthansa and Air France/KLM moving by 2012, Cathay expected sometime between 2012 and 2013, NACIL, the combined Air India/Indian Airlines committed to move to SITA, and Iberia unlikely to run away from Amadeus, the Unisys mainframe footprint will shrink to just three systems; SITA, ANA and Travelsky. Unisys's failure to get traction with the new generation Air Core system must surely see its management wondering what to do. SITA is progressing with its

own development. ANA and Travelsky may not be enough to sustain the business. H-P might be the white knight, at least for some of the components.

Amadeus is further consolidating its position with these migrations and will launch itself into the supply of services for ground handlers once the development work is completed to replace Gaetan. Combined with Amadeus's data-centre and network management capabilities, key competitors in this field will be very nervous.

Advanced passenger handling capabilities are increasingly critical for many airlines. In the past full-service network carriers have had the edge in providing a high degree of service and customer recognition while low-cost carriers have prevailed in efficiency of operation. In the increasingly interconnected future successful airlines from both traditions will need to be effective in both service and efficiency. The only way to achieve that in the long term is by investment in software development and in the current market Amadeus's investment is far ahead of its competitors.