TRAVEL TECHNOLOGY RESEARCH
FIRST VIEW

5th June 2011

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.

Asia Moves Mainstream, More Consolidation in PSS

T2R Staff

The Facts

Within the space of two weeks the airline Passenger Services System market has seen a number of significant announcements. Amadeus has announced agreements with All Nippon Airlines and Korean Air. Sabre has announced the cutover of Aeromexico to its Sabresonic PSS and the commitment of Aerolineas Argentinas to extending its relationship. At the same time it was reported that Hewlett-Packard laid off a number contractors working on the American Airlines Jetstream PSS Project.

The Analysis

It has been apparent for some time that the PSS business of the largest network airlines[1] is rapidly being divided between two giants of the industry. For the last several years Amadeus has been successful in winning most of the business of Tier 1 carriers, especially those like Korean and ANA that are moving away from in-house solutions. Sabre has been extremely successful in winning the business of hybrid airlines and Tier 2 carriers in the Americas. No other vendor has consistently won the business of large airlines. The one market participant that could seriously threaten the increasing duopoly of Amadeus and Sabre is Hewlett-Packard.

In that context the suggestion that HP's delivery to American Airlines is not going according to plan is extremely significant.

The following table shows the current status of the PSS business as measured by provision of inventory services following the implementation of Aeromexico by Sabre. Vendors with less than 0.5% of the market by passengers boarded have been ignored.

Vendor	PAX		Airlines	
Amadeus	502,661,516	17.35%	98	12.07%
Sabre	454,451,355	15.69%	80	9.85%
In House Mainframe	375,391,648	12.96%	18	2.22%
Navitaire	324,584,146	11.20%	50	6.16%
TravelSky	274,959,693	9.49%	15	1.85%
Travelport	245,418,458	8.47%	7	0.86%
HP	158,788,259	5.48%	14	1.72%
SITA	142,903,131	4.93%	117	14.41%
Unknown	99,191,134	3.42%	181	22.29%
Bullet Proof Software	52,426,100	1.81%	2	0.25%
Mercator	42,093,892	1.45%	5	0.62%
Iberia	37,681,595	1.30%	16	1.97%
CSC	27,902,223	0.96%	9	1.11%
H-P Atraxis	24,781,200	0.86%	4	0.49%
Lufthansa Systems	20,718,828	0.72%	22	2.71%
Other Airline Hosted	18,073,641	0.62%	23	2.83%
Radixx	15,067,651	0.52%	32	3.94%

Source: www.t2rl.net proprietary research as at 4 June 2011.

1 Network carriers represent the single largest market segment with 71.5% of all passengers boarded in 2010

Travel Technology Research Ltd. © 2011
Burnham House, 93 High Street, Burnham, Bucks, SL1 7JZ, UK. www.t2rl.com www.t2rl.net
All rights reserved. Reproduction or redistribution in any form without the prior permission of is prohibited.

Based on major contracts that have been announced but not yet implemented, we expect the position to change as follows:

	Change	New Share
Amadeus	4.1%	21.4%
Sabre	-2.7%	13.0%
Hewlett-Packard	6.5%	12.9%
Travelport	-2.9%	5.6%
In-House	-5.0%	8.0%

by Passengers Boarded, based on 2010 numbers

Amadeus becomes the clear leader in the market, with Sabre and Hewlett-Packard almost neck and neck in second place. It should be noted that Sabre's hybrid airline customers tend to grow faster than its competitors' (JetBlue, WestJet, Volaris), but not as fast as Navitiare's low cost carrier clients.

However this change depends on Hewlett-Packard being able to deliver on its commitments to American Airlines in the short term and United Airlines in the longer term.

The Speculation

While no public announcements are being made, the reports of contractor lay-offs at HP have not been denied. The schedule for delivery of the Agilaire product set into American Airlines' Jetstream PSS project was always very ambitious and it was not clear whether Hewlett-Packard really understood what it was taking on. It is very hard to see how the schedule could possibly be met if development was not now moving at full speed with all possible resources deployed. Reducing contractors is not a signal for impending disaster but it does raise questions about this critical project.

The outcome of this undertaking will affect the shape of the PSS industry for the next generation. HP is a relative newcomer, with very deep pockets, and its acquisition of EDS brought with it some genuine airline industry expertise. If it fails to deliver to American the immediate beneficiary will be Sabre which will remain alone in second place from which it can drive a very profitable business. In the longer term a failure by HP must surely allow Amadeus into the North American market for the first time. Amadeus has just refinanced debt, lowering interest cost and creating even more earnings potential. With impressive wins in Asia it is really hard to see how anybody can stop it from taking a dominant position.

Travel Technology Research Ltd. © 2011
Burnham House, 93 High Street, Burnham, Bucks, SL1 7JZ, UK. www.t2rl.com www.t2rl.net
All rights reserved. Reproduction or redistribution in any form without the prior permission of is prohibited.
Travel Technology Research Ltd (T2R) is an independent research and consulting company that specialises in the market place for airline IT systems. Based on data gathered and analysed since the year 2000 it has defined and tracked classifications of airlines and their IT providers. Its research is used by airlines to enable them to make informed choices of systems and vendors and by the vendors to help them develop products that best meet the current and future needs of the airline industry.