

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.

Thai Agreement Boosts Amadeus in Asia Pacific – and in Star

T2RL Staff

The Facts

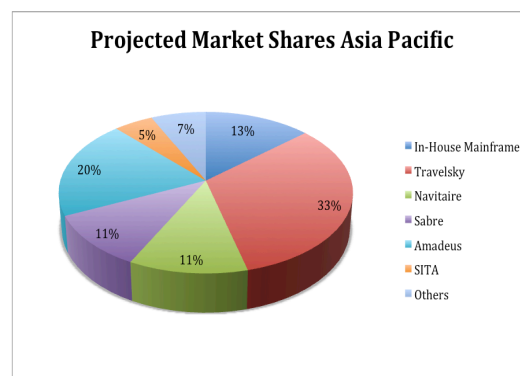
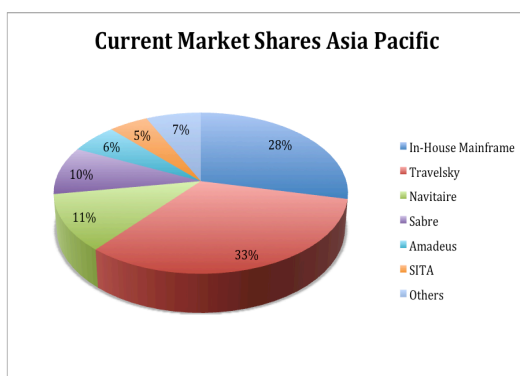
Thai Airways International has announced that it will migrate the Amadeus Altea passenger services suite over the next 2 years. Migration will be complete by 2013. By this time Thai International will have been using the Amadeus reservations service for over 20 years.

The Analysis

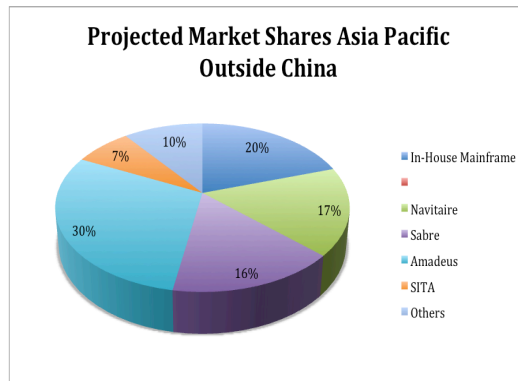
Thai has finally committed to giving up its in-house mainframe passenger services solution Royal, in favour of a service from Amadeus. This decision has been long anticipated since Thai was the first airline from outside Europe to commit to Amadeus at a time when all its Asian neighbours created the Abacus GDS. Despite being one of the first airlines in Asia to make use of the advanced functionality provided by Amadeus, Thai has lagged neighbours such as Cathay Pacific and Singapore airlines in committing to the full Altea PSS.

The fact that Amadeus has now secured commitment from Thai has strengthened the European company's position in two important groups within the airline industry. In terms of non-Chinese Asia-Pacific carriers Amadeus is now by some margin the largest provider of passenger services solutions. It has also enhanced its position amongst the suppliers of PSS to Star Alliance airlines. This is despite the fact that the Common IT Platform negotiated by the Star Alliance in 2006 has not been widely taken up by the airlines that led the process including Air Canada and United Airlines.

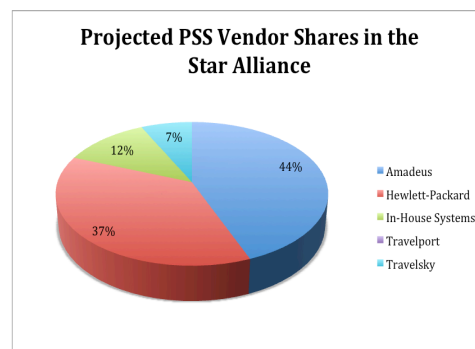
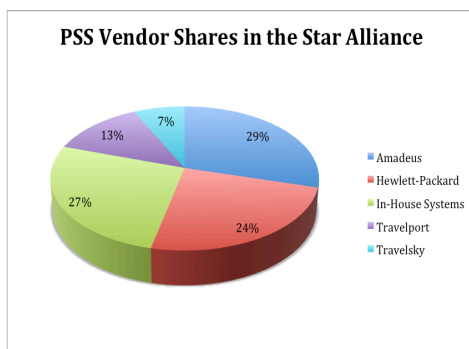
Using 2010 passenger volumes as a base it is clear that Amadeus jumps to 2nd place in the overall Asia-Pacific market.



Excluding airlines based in mainland China which are so far required to take services provided by the monopoly supplier Travelsky, the dominance of Amadeus becomes clear.



Amadeus is also the largest provider to the Star Alliance carriers even after the decision of United Airlines to move its PSS to the service provided by Hewlett-Packard to its merger partner Continental.



The Speculation

It has been clear for some time that Amadeus will come to dominate the supply of PSS to top tier airlines, based on its founding airlines Lufthansa, Air France and SAS, its launch customers British Airways and Qantas as well as the sales wins it enjoyed in the period 2005-2008. However the following two years were relatively lean for the sales and marketing teams in Madrid and successes by other vendors such as Sabre, HP and SITA began to attract the headlines. Since the appointment of Julia Sattel to head the Airline IT division at Amadeus there has been a distinct reinvigoration of its efforts that has borne fruit in the wins at All Nippon, Korean and now Thai International.

The one flaw in the picture for Amadeus is its continued failure to penetrate the North American market. Of the major airlines in the USA only Southwest is currently in the market for a new PSS solution. Amadeus and Sabre were shortlisted before the process was put on hold to allow Southwest to digest AirTran. Air Canada too is in the market following the abandonment of its project with ITA Software and looking further ahead it seems inevitable that Delta Air Lines will eventually tire of the lack of investment by Travelport in the PSS space. Winning one – or preferably two – of these airline customers must now be the top priority for Julia Sattel and her team.