

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.

Agilaire Equals Aircore Plus

T2R Staff

The Facts

Unisys has announced an agreement to supply its Aircore product set to "an industry partner". Well-informed sources including Flight International Group have stated that the partner is Hewlett-Packard and the end customer is American Airlines.

The Analysis

Unisys has been developing its Aircore "new generation" Passenger Services System for over a decade. It has failed to make any sales to airlines with the exception of an agreement from All Nippon Airlines to use some of the functionality. Even this commitment must be called into question since ANA agreed earlier this year to use the Altea PSS from Amadeus.

T2RL has been able to see the Aircore product at various stages of its development and we believe it to be a well-designed update of the functions included in the major PSS products in use at the world's network airlines. Its underlying relational database technology makes it more flexible than traditional mainframe systems. There is little doubt that Unisys has the experience needed to address the shortcomings of existing systems but for the last ten years it has continued to support its own mainframe products while failing to progress its new system. From the outside it has appeared that the investment required to move Aircore from a promising development project to a solid production system has not been available.

American Airlines looked at Aircore during the long process that led to the announcement of the Jetstream project with Hewlett Packard. The airline's staff were impressed with the functionality but not convinced that Unisys had the ability or motivation to support the product into service with one of the biggest airlines in the world.

Hewlett-Packard on the other hand was able to convince American, and specifically its CIO Monte Ford, that it had the resources and motivation to deliver a completely new generation of systems to the airline under the brand name Agilaire. As a result HP was able to add American to a customer list that now includes around half of the North American market by volume. With such a large market share - representing around 400 million passengers per year - HP clearly has the motivation and the resources to develop a new generation of solutions. What it did not appear to have was the expertise or the time to develop a solution that could be delivered to American by 2014.

As a result most industry observers believed that HP would have to look for support from an industry partner that was already further along the road of developing a new generation system. The development done by ITA Software for Air Canada's abortive project was one obvious candidate following the acquisition of ITA by Google. Other possibilities included SITA's work on Newgen systems under the Horizon name and possibly the AiRes system of IBS. Now it clear that HP has overlooked these possibilities in favour of AirCore.

It is not the first time that Unisys has found an industry partner to help it bring Aircore to market. The first was SITA, which attempted to use the Unisys software as the core of its Horizon project. That relationship ended in acrimony in 2003. Then Lufthansa Systems decided to use Aircore as the centrepiece of its FACE (Future Airline Core Environment) project. That project was cancelled in 2008 and since then Unisys has gone it alone with a possible sale to TravelSky of China representing the best prospect of meaningful commercial implementations.

All of which brings us to December 2011 when three major corporations that are in various states of crisis have come together to finally bring the Aircore vision to fruition. Unisys has seen its stock price fall by 80% over the last decade while its position as a supplier to airlines has been eroded by the growth of Amadeus, which has replaced USAS systems in many major airlines. Hewlett-Packard has seen a major convulsion this year with the departure of Leo Apotheker, a CEO who had announced the end of its hardware business and an intention to move the corporation towards software and services. American Airlines has recently bowed to the inevitable and followed its peers including Delta, Continental, Northwest and United into Chapter 11 bankruptcy. For the two technology suppliers the fate of airline passenger services systems is an important though minority interest. For American Airlines it is lifeblood. Now these three troubled corporations must work together to realise the vision of the Unisys architects and American's commercial management. It will be an interesting journey.

The Speculation

There is an inevitability to this development. There are people at Unisys who are well qualified to introduce the next generation of PSS. However they have been working on it since the late 1990s and many people believe that its time has come and gone. Unisys has not been able to manage the relationships with its previous industry partners and much of the risk of this project lies in the ability of HP to forge a more effective partnership than SITA and Lufthansa Systems were able to do.

T2RL has modelled the future of the PSS business based on current trends and known developments. All the models show that Amadeus will be the dominant player for the next two decades at least. Notwithstanding Sabre's recent success with tier 2 airlines in the Americas, the one company that could seriously restrict Amadeus's ability to grow further is HP. If this new partnership is successful we may see a developing duopoly. If it fails it is hard to see how the industry will avoid an Amadeus monoculture.

Our view is that while HP may manage to deliver to American, it will not be successful in building products that are more broadly applicable, especially in the international market. The EDS culture remains in place and it is unlikely that HP will retain Swiss or Brussels Airlines on its Atraxis platform in the longer term. Combine this with AA's continuing and widening dependency on ITA Software and HP's Agilaire with AirCore looks like it may be restricted to the US market and existing customers. Amadeus will continue to flourish in the market place and Sabre's recent wins in Australia suggests that it will grow, albeit at a lower pace.