

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.

Amadeus Sabre'd for the New Year

T2R Staff

The Facts

Etihad has announced a ten-year technology agreement with Sabre for the replacement of Amadeus as the passenger management system. The agreement covers both direct and indirect distribution.

Etihad also confirmed the provision of full content to Sabre GDS subscribers although there is no information to suggest this agreement is for 10 years.

The Analysis

Sabre has taken a major Amadeus scalp by signing Etihad and the credit for this deal must fall to Greg Gilchrist and the sales team at Sabre. This is the first major network carrier to migrate away from the Amadeus platform. Virgin Australia has also contracted to move to Sabre but the majority of the revenue passengers boarded will shift from Virgin Blue's supplier Navitaire rather than the Amadeus-powered V. Australia.

There is no doubt that Sabre would have competed aggressively on price for this business, but the management at Etihad must also be convinced that Sabre can do the job and there is no risk to its expansion plans by choosing Sabre. Sabre must therefore be closing the functional gap on Amadeus. The purchase of Calidris and the creation of the Sabre ASX product allows airlines to build an efficient operational data store to power other applications through web-service interfaces, maintaining consistency across the disparate systems. Whilst T2RL considers this is an excellent service, offering it alone is not the killer app.

Amadeus resources in development remain significantly higher. Close to 4,000 personnel - about double the number at Sabre - cover the applications suite. This includes reservations, pricing and ticketing, revenue integrity, inventory control and DCS and, of course, the GDS business.

The Speculation

The loss of Etihad will be taken very personally by the Amadeus VP for Airline Technology, Julia Sattel. Under her leadership the Airline IT function it has been on a transformational journey since the departure of predecessor Frederic Spagnou and the arrival of Luis Maroto as the Amadeus CEO.

Amadeus will respond aggressively. It already has major airline migrations and revenue streams coming online in 2012 with Cathay Pacific in February and Singapore airlines in June. With the recently implemented Air Berlin, Amadeus will have added close to 80M passengers in 2011/12. Its market share will continue to grow through the coming year.

Sabre has now won close to 40M passengers boarded combining Virgin America, Virgin Australia and Etihad. It also has new implementations in Latin America with Trip and LAN, although the latter must be in some doubt pending the final configuration of the merged LAN/TAM entity.

Amadeus will not want to see Japan Airlines choose Sabre and will want to send a clear message to the market place that it remains the No 1 supplier for PSS services.

It appears that the PSS business for network carriers is turning out to be a 2 horse race. Two contestants is a necessary condition for a race, but a duopoly or indeed an oligopoly may not be in the airlines' long-term interests.

Brian Cook who was headhunted from SITA's PSL division to run the PSS business at Hewlett Packard will be wondering how to stay in the game. Despite access to resources on a scale most can only dream of, T2RL believes that both Swiss and Brussels Airlines will select Amadeus in the coming year. This will leave HP with little or no business in Europe despite having contracts for close to 50% of the highly-competitive low-margin US business.

Travelport has successful point products for pricing and shopping, MIDT, refund and exchange and ticketing although in 2012 it will lose one of its two major PSS customers as United Airlines joins merger partner Continental in the SHARES PSS from HP. It will also be considering its options under the leadership of Mark Whitfield.

SITA's new generation products remain elusive. The Voyager program is clearly behind its original ambitious schedule with Michael Mitchell moved to sales and SITA's own development team led by John Flenley sharing responsibility for product definition with Cook's replacement Alison O'Neill.

HP, SITA and Travelport together might be able to "Cook" something up and mount a serious challenge on the global scale. Throw Travelsky into the mix with close to 250M passengers boarded on its own and we may see a third horse emerge in the race in 2012 or beyond.

ITA by Google has still to deploy its PSS and it will take some years before this product will arrive as a serious contender given the addressable market. T2RL believes that Google will have to question participation in this market even if it does have intellect and the muscle to displace others in the future.

Navitaire's latest test will come from the outcome of the Jetstar RFP rumoured to have been issued this month. Navitaire is able to maintain and even grow market share as customers like Ryanair and Air Asia grow much faster than the overall market. John Dabkowski will be smarting from the loss of Virgin Australia and 20 million plus billable segments in 2013.