

# ATPCO IS DETERMINED TO REMAIN RELEVANT

**First View: Rapid analysis of breaking news, providing perspective**

## THE FACTS

On 1 February 2018 the Airline Tariff Publishing Company (ATPCO) announced the acquisition of Routehappy, an aggregator of so-called “rich content” relating to airline services. No information was released on the financial terms of the acquisition.

## THE ANALYSIS

A generation ago ATPCO won the standards war for encoding and automating fare rules. This rather esoteric victory ensured that over time ATPCO became the definitive provider of fares filing and distribution services to the entire airline industry. Other providers of these services were either reduced to niche markets like SITA, or exited the business altogether like Reed Elsevier. Over the last twenty-five years ATPCO has grown its market share to the point where it now has a near monopoly, but as it is owned by a group of its biggest customer airlines this has not caused significant consternation and the business has generally prospered.

The advent of the New Distribution Capability (NDC) which has been promoted heavily by IATA for the last five years could change that comfortable situation. This is not the place for a detailed analysis of NDC, but for ATPCO the significant fact is that NDC is essentially a “pull” protocol. Airlines will only supply pricing information to Sellers in real time and in response to specific queries. This means that if NDC should become the dominant distribution process for the airline industry there will no longer be any need for airlines to file or distribute fares to Global Distribution Systems (GDSs) or any other entity in the distribution chain. Clearly this completely undermines ATPCO’s traditional business and if not addressed would, over time, threaten the very existence of the company.

A possible response by the owners of ATPCO would be to recognise that the reason they created the company no longer exists and to gradually run it down over a period of years until eventually it could be wound up. However the business as it now stands is a significant asset in terms of technology, expertise and network. An alternative approach would be to work that asset by investing in adjacent areas where ATPCO’s capabilities provide a solid base for services that will continue to be relevant over the coming decades. The acquisition of Routehappy is the latest indication that this is the course that has been decided by the company’s board.

Over the last few years ATPCO has launched a number of initiatives that build on its fares filing services and extend its reach into related areas.



It has developed and launched a capability for airlines to file ancillary services fees for products such as seat selection and checked baggage. While this still relates to existing distribution channels like GDSs it is another example of ATPCO's processes setting the technical standard and locking airlines in to its distribution services

It has developed the ability to manage and distribute the Airline Profile records that will be an essential component of any broadly-based NDC network

It has developed a baggage calculator that permits real-time queries of baggage rules and charges

In a joint venture with SITA it has launched NDC Exchange, a piece of industry infrastructure that allows airlines, aggregators and sellers to connect using XML-based messaging regardless of which version of NDC (or other XML-based API) they are using

In addition to these concrete product initiatives ATPCO has also been working with a wide group of stakeholders to define objectives and standards for airline dynamic pricing.

The acquisition of Routehappy falls firmly into the pattern that has been established. NDC and other XML-based protocols such as Open Travel Alliance (OTA) and OpenAxis allow airlines to supply rich content such as pictures, structured text, sound and video in their responses to shopping inquiries. IATA hosted a series of conference calls to investigate the need for standards in rich content during 2017 but they did not lead to any substantive proposals. Meanwhile Routehappy promoted its services and managed to get several top-tier airlines on board, effectively becoming the de facto standard for rich content in airline distribution. Thus by this acquisition ATPCO once more becomes the keeper of an industry standard and will expect to capitalise on that going forward.

## THE SPECULATION

ATPCO is hedging its bets very effectively. The most significant variable in its future is the rate at which airlines adopt NDC for travel agency distribution. Within that, a subsidiary variable is whether they will adopt the full NDC philosophy of direct relationships between airlines and Sellers or whether they will simply use the XML schemas from the NDC standard to enhance their existing GDS-based distribution.

T2RL believes that although the take up of NDC is beginning to show some signs of acceleration it will be many years before it becomes the dominant process in airline distribution. During those years ATPCO's traditional fares distribution business and its ancillary fees filing will continue to be viable. As and when the use of NDC grows the new investments will deliver. Routehappy content will be significant whatever direction the industry takes, while the opportunity for Airline Profile and NDC Exchange is dependent on the industry adopting the underlying NDC philosophy of direct connections.



ATPCO's management has created the conditions for long-term success in the business based on the best information available today. It has shown the ability to respond to changes in its business environment and we expect it to continue to do so. We also expect that the airlines represented on its board will not repeat the mistake they made with the GDSs in the late 1990s. If ATPCO is going to become a monopoly provider for essential industry services, better that it continue to be owned by the industry.



*Travel Technology Research Ltd, trading as T2RL 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. For further information, visit our website at [www.t2rl.com](http://www.t2rl.com).*

