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# The Market for Airline Passenger Services Systems 2020

October 2020



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## Introduction

This is the twelfth edition of T2RL's report on the market for airline Passenger Services Systems (PSS). The first edition was prepared and distributed in September 2009. It has subsequently been updated annually, making use of the most recently available data on the world's airlines and systems providers.

The report gives an insight into the current challenges and opportunities faced by airlines and vendors within the realm of PSS. Market share information is based on 2019 annual passenger volumes adjusted to include current migrations and implementations as at 21<sup>st</sup> September 2020.

## Executive Summary

Due to the fallout of the COVID-19 pandemic, 2020 is set to be the most challenging year any airline or PSS vendor has had to face. With passengers boarded projected to be at least 58% lower than 2019 PBs,<sup>1</sup> this takes the market to 1.94 billion, 3.11 billion below our 2019 projection for 2020 which was 5.05 billion.

T2RL estimates that the pandemic has wiped over \$2.0 billion from the world market value for PSS systems for this year alone. More details on T2RL's projections for the market recovery for the airline industry can be found in our quarterly analysis reports on the same subject<sup>2</sup>.

In 2019 excluding United, the top three tiers saw nine airlines migrate PSS, representing 92 million PBs. Although up on 2018 (75 million), this is still a relatively small number compared with the activity the market has seen in previous years. This year has seen a few airlines take advantage of the no-fly market conditions to migrate systems when things are quiet. Blue Air, Pacific Airlines (former Jetstar Pacific), TAAG (Angola) and a flurry of smaller airlines have all migrated within the last few months. There are no other significant migrations planned for the rest of 2020 or 2021. The next scheduled large migration is ANA to Amadeus Altea which given the complexity is not expected until Q3 2022 at the earliest.

Given the cost, resource requirement and complexity the larger airlines face in migrating systems, the smaller end of the market is where we foresee much of the activity in the next few years. SITA has announced its plan to exit the PSS market by 2022 so we will be seeing near to 40 smaller tier 4 airlines migrating, albeit reluctantly, in some form. For the smaller vendors in the market this is a huge opportunity.

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<sup>1</sup> <https://www.t2rl.net/airline/volumes.asp> projections are being revised on a quarterly basis

<sup>2</sup> <https://www.t2rl.net/insight/display?ID=634>



For PSS vendors that rely solely on passengers boarded as a revenue source these are very worrying times. In a market which was seeing annual growth of the order of 6-7% per annum, an unprecedented event such as this has been quite a shock to the system. Despite some vendors having cautiously stipulated monthly minimum PBs in their contracts, when faced with potential customer bankruptcies and force majeure clauses many have had to renegotiate these contracts and forego guaranteed revenue.

In recent years, certain PSS vendors have diversified into other areas to develop additional sources of income. For example, IBS has a considerable amount of business for its cargo management system which would have seen a boost reflected in the increased demand for air waybills. Loyalty systems rely on 'active' member fees which by most definitions should not have dropped significantly yet. Other PSS vendors have small lines of business in the hospitality, payment and operations areas. With no doubt though, the majority of players in the market rely heavily on PB fees and many vendors are exercising cost cutting programmes, including redundancies, to compensate for loss of income.

Optimistically, certain domestic markets such as China and Russia are already seeing an upturn and this is reflected in those PSS vendors who have strong presence in these markets. TravelSky reported domestic PBs at 85% of 2019 volumes for August<sup>3</sup> and Sirena-Travel, whose customers are mainly based in Russia, claims to have already reached pre-pandemic passenger volumes for domestic traffic.<sup>4</sup>

On the NDC and ONE Order front, things have gone quiet, and the IATA 2020 leaderboard is a distant memory. With the travel agency market currently suffering even more than direct distribution, NDC is certainly not a priority for a lot of airlines at the moment.

In general, during uncertain times, flexibility is key for airlines and vendors alike, specifically with regard to commercial arrangements and migrations. With many airlines having reduced budgets and staff, vendors will need to take on more of the migration cost and effort in exchange for flexible arrangements around contracts and payment plans. We will begin to see contract extensions, temporary waiving of monthly minimum payments, waiving of one-off implementation fees and instalment payment plans. Vendors will also need to put aside additional skilled resources to take more of the responsibility off the airline during the migration period in order to entice airlines to leave their current platforms.

In order to save costs, airlines also need to ensure that their current objectives still align with the systems for which they have contracted. Any products or solutions which have been bundled in previous contracts and which are not being used become a pawn for

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<sup>3</sup> [www.travelskyir.com](http://www.travelskyir.com), Operations Data, August 2020

<sup>4</sup> <https://www.sirena-travel.com/news-events/1023-air-transportation-within-russia-reaches-the-pre-pandemic-level.html>



*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).*