

ME/6806/19

## ANTICIPATED ACQUISITION BY SABRE OF FARELOGIX

### Amadeus' key observations on Reference Decision

#### 1. Introduction

- 1.1 Amadeus' view is that the CMA's decision on reference under section 33(1) of the Enterprise Act 2002 (the *Act*) given on 16 August 2019 (the *Reference Decision*) in respect of the anticipated acquisition by Sabre Corporation (*Sabre*) of Farelogix Inc. (*Farelogix*) (the *Transaction*) does not reflect the market dynamics of the airline ticket distribution industry, the correct frame of reference or the role of Amadeus as one of the leading innovators and technology champions in the sector. Moreover, the Reference Decision contains numerous references to Amadeus that it has not previously seen or had the opportunity to respond to, and with many of which it disagrees.
- 1.2 Amadeus recognises that this may simply be a function of the balance of evidence that was put before the CMA in the limited time available at Phase 1. However, the Phase 2 process requires the CMA to achieve a much better understanding of how the market operates. The purpose of submitting this paper at an early stage of the Phase 2 process is to assist the CMA in this regard and provide key observations on:
- (a) the market dynamics of the industry, focusing on the market power of large airlines with “*must have*” content and large airlines' attempts to marginalise neutral indirect distribution (**section 3**);
  - (b) the frame of reference being used by the CMA in its review (i.e. the supply of services that facilitate the indirect distribution of airline content worldwide). The same logic that leads to direct connect being included in the frame of reference must also lead to direct distribution being included (**section 4**); and
  - (c) Amadeus as an innovator and technology champion, focusing on its role in developing new distribution capability (*NDC*) and non-core PSS merchandising modules. Amadeus is the leading technology innovator in this space, is recognised as such and competes on the basis of its technology (**section 5**).

#### 2. Background on Amadeus

- 2.1 Amadeus is a European IT company serving the global travel and tourism industry, providing technology solutions to travel service providers like airlines and travel agencies (*TAs*) worldwide. Amadeus' main activities in the air transport area are:
- (a) the provision of GDS services; and
  - (b) internal IT solutions for airlines and airports, including a passenger services system (*PSS*) – Altéa – and various ancillary products and services such as *inter*

*alia* e-commerce, revenue accounting, loyalty management, revenue management and merchandising.<sup>1</sup>

- 2.1 Amadeus is recognised as one of the leading innovators and technology champions in the industry – in a way that distinguishes it from Sabre, Travelport and other companies like Travelsky:
- (a) Amadeus invests an average of 16% of its revenue on research and development (**R&D**), a total of €763 million in 2018. This is a world class level of R&D investment. Amadeus’ commercial success is due to its consistently high R&D investment, a level it has maintained for over a decade.
  - (b) Amadeus has consistently been ranked among the top-three largest R&D investors in the software & services sector in Europe (a sector which includes companies like SAP), number 179 on the “*R&D ranking of the world top 2500 companies*” and number 52 on the “*R&D ranking of EU top 1000 companies*”.<sup>2</sup>
  - (c) Amadeus employs approximately 6,000 software developers globally, 3,500 of which are located at its R&D campuses near Nice. In addition, Amadeus invites airlines to co-innovate with it at the Accenture-Amadeus Alliance Innovation Center in Dublin.<sup>3</sup>
  - (d) Amadeus is the only player in the market that has migrated its whole GDS platform from an older, rigid processing technology to a new open systems technology. An open system creates new possibilities in respect of technological advances such as cloud, big data and artificial intelligence; allows Amadeus to implement new standards more effectively whilst maintaining legacy standards at the same time; and allows third party developers the opportunity to innovate applications for the system. It has also been essential to the development of new applications and functionalities in Amadeus’ best in class passenger services system (**PSS**), Altéa, as well as key evolutions in areas such as merchandising, ticketing and payment processing.
  - (e) Amadeus has contributed more than any other company to the technological development of NDC: see section 5 for further details.
  - (f) Amadeus has received significant recognition for its investments in R&D and innovation. In November 2018, the European Commission’s Startup Europe Partnership initiative included Amadeus in its ranking of the 36 companies working most collaboratively with start-ups across Europe and provided Amadeus with the Open Innovation Innovative Approach Award.

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<sup>1</sup> In 2016, Amadeus acquired a PSS provider called Navitaire. Navitaire provides technology and business solutions primarily to airlines, as well as to high-speed rail and long-haul bus companies. Navitaire is active mainly in the area of reservation services and ancillary products, where it offers a PSS called New Skies (which, in addition to airlines, also supports rail customers). As an integrated part of its PSS solution, Navitaire also provides e-commerce solutions, loyalty management solutions, yield management products and revenue accounting products.

<sup>2</sup> <http://iri.jrc.ec.europa.eu/scoreboard17.html>

<sup>3</sup> <https://www.accenture.com/us-en/service-accenture-amadeus-shaping-future-travel-experience>

### 3. Market dynamics of the industry

#### *Large airlines have market power*

3.1 The CMA has stated in its Reference Decision that Amadeus is one of three major GDSs with a significant degree of market power. According to some airlines, these three GDSs act as an “*unavoidable gateway*” in the airline ticket distribution industry.<sup>4</sup> This is an incorrect characterisation of market dynamics:

- (a) The essential point is that content from large airlines is a “*must have*” for a GDS. This content is essential for it to be able to offer credible distribution to travel agents (*TAs*) – who also view the content as “*must have*”. Such content is not substitutable and without it the levels of participation from TAs would decrease and GDSs would have no viable business model.
- (b) This means that the balance of bargaining power in the airline ticket distribution industry lies with large airlines and they are able to leverage this in negotiations with GDSs. For example, most large airlines in Europe have fundamentally changed their business model with GDSs in the past three years in ways which are detrimental to GDSs, without the GDSs being able to resist these moves. All major European airlines have either agreed private channel agreements which reshape their commercial relationship with GDSs and TAs or, like Lufthansa, have adopted an explicit policy of pushing sales away from GDSs to direct channels to avoid comparison shopping with other airlines’ fares.
- (c) There is clear empirical evidence that Amadeus has no market power *vis-à-vis* airlines. ■ between 2013 and 2017 average unit incentives paid by Amadeus to TAs in the EU have ■ after adjusting for inflation. Over the same period, adjusting for inflation, contract changes and the increasing number of transactions per booking, Amadeus’ booking fees to EU airlines have ■. This shows that Amadeus is competing fiercely with other GDSs and other suppliers of air ticket distribution services for TAs / online TAs (*OTA*) business, resulting in ■; but that it has been ■. On the contrary, net booking fees to airlines have ■ in the same time period. This illustrates that competitive pressure is increasing on both sides of the platform, resulting in ■. This evidence shows that it is not plausible to suggest that Amadeus has “*a significant degree of market power*” (as suggested in the Reference Decision).
- (d) The implementation and even just the threat of airlines’ surcharges on GDS bookings also exclude any possibility that Amadeus can have market power. The mere fact that the airline is able to impose any surcharge on GDS bookings shows the airline’s market power and Amadeus’ lack of market power. These surcharges are generally significantly higher than the cost of the Amadeus booking fee.<sup>5</sup>

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<sup>4</sup> Reference Decision, paragraph 15. See, also, paragraph 299 and 357.

<sup>5</sup> By way of example, Amadeus notes that the current Lufthansa surcharge is equivalent to ■ per booking as compared to the average Amadeus booking fee of ■; and the current BA surcharge is equivalent to ■ per booking as compared to an average Amadeus booking fee of ■. This excludes additional price differentials (e.g. special promotions, additional discounts etc.) that would make this difference even more pronounced.

3.2 There are only two UK airlines which are significant GDS customers to TAs with a UK point of sale (*POS*): the clear market leader, British Airways / IAG (*BA/IAG*), and Virgin Atlantic which is majority-owned by Delta Air Lines and Air France-KLM, both of which have very significant market power of their own (*VA/Delta/AF*):<sup>6</sup>

- (a) Both airlines’ content is “*must have*” for a GDS given the significant proportion of bookings that these airlines constitute collectively. Amadeus simply would not offer its TA customers a meaningful service inventory if they were unable to book BA/IAG content in the UK and also VA, without even taking into account Delta’s importance to Amadeus’ value proposition to US TAs and Air France in France and KLM in the Netherlands. Take as an example the share of bookings by TAs with UK POS for flights from the UK to Ireland (including connecting flights), which is one of the destinations listed by the CMA at paragraph 136 of the Reference Decision as being relevant to the application of the share of supply test. It can be seen that the combined share of bookings of BA/IAG and VA/Delta/AF through Amadeus on this route would be █ with a BA/IAG share of █, meaning that no GDS would have a value proposition to TAs on this route without BA content in particular. Amadeus considers that this effect would be even stronger if connecting flights were excluded.

█

| Destination | BA/IAG <sup>7</sup> | VA/Delta/AF <sup>8</sup> | Combined |
|-------------|---------------------|--------------------------|----------|
| Ireland     | █                   | █                        | █        |

█

- (b) More generally, without content from BA/IAG and VA/Delta/AF, Amadeus could not provide a service to TAs in respect of many other destinations as well. The consequence of this would be to undermine the entire value proposition of GDSs to TAs not just on individual routes but across the entire UK market and internationally.
- (c) BA/IAG and VA/Delta are aware that their content is “*must have*” to GDSs with respect to the UK (and more widely) and that therefore they exercise market power within the UK airline ticket distribution industry. In particular, BA/IAG have leveraged this market power to:
- (i) **renegotiate major contractual terms with Amadeus:** BA/IAG have successfully managed to push new business models (in particular, a private channel agreement effective as of █), which have given them more control over their relationship with TAs and █.

<sup>6</sup> Other UK airlines (e.g. Flybe, Jet 2, easyJet) are not significant GDS customers. Non-UK airlines account for only a limited proportion of bookings by TAs with a UK POS.

<sup>7</sup> Includes BA, IB, Aer Lingus and Vueling.

<sup>8</sup> Includes VA, Delta, AF, KLM, Transavia, Transavia France and Flybe (jointly controlled by VA).

- (ii) **impose surcharges:** on 1 November 2017, BA/IAG introduced a surcharge of £8 per fare component on all bookings made via GDSs. The surcharge has increased twice since then and is now £10.50.
- (d) Moreover, Amadeus notes that TAs have been complaining to competition authorities for many years about airline behaviour generally and BA/IAG behaviour specifically towards them. This should be taken into account in this merger review as evidence of the market power exercised by BA/IAG in the airline ticket distribution industry.

*Large airlines attempts to marginalise neutral indirect distribution*

3.3 The Reference Decision fails to recognise the strategic incentive for large airlines to undermine neutral indirect distribution and seek to disintermediate the airline ticket distribution industry. This would be to the detriment of smaller airlines, TAs and ultimately consumers. While some airlines have sought to characterise GDSs to the CMA as an “*unavoidable gateway*”<sup>9</sup>, the reality for many in the airline ticket distribution industry is that GDSs play a pivotal role as the facilitators of neutral indirect distribution:

- (a) GDSs are regulated in terms of market conduct under the Code of Conduct and especially the neutrality obligation (“*A system vendor shall provide a principal display or displays for each individual transaction through its CRS and shall include therein the data provided by participating carriers in a neutral and comprehensive manner and without discrimination or bias. Criteria to be used for ranking shall not be based on any factor directly or indirectly relating to carrier identity and shall be applied on a non-discriminatory basis to all participating carriers. The principal display(s) shall not mislead the user, shall be easily accessible and shall respect the rules set out in Annex I.*”<sup>10</sup>).
- (b) The neutrality obligation ensures that GDSs must provide neutral, transparent information on flights to consumers (as opposed to models such as Google and metasearch that are currently not subject to the same obligation and therefore can bias results). This benefits TAs, by giving them ready access to neutral fare comparison, and smaller airlines, by giving them a fair chance to compete with larger airlines dominant in their home countries even without the requisite level of brand recognition (see, for example, a press release by the European Regions Airline Association (*ERA*) on the Code of Conduct attached as **Annex II**). By contrast, large airlines wish to undermine neutral indirect distribution – and comparison shopping – in their home markets; and have been actively pursuing such a goal through *inter alia* private channel, surcharges, withholding content etc.

3.4 Amadeus notes that the Code of Conduct is not mentioned in the Reference Decision and yet it is vital to any understanding of the market dynamics of the airline ticket distribution industry in the UK (and the role of GDSs within it). The Code of Conduct is currently under review by the European Commission which is also considering other legislative action to increase confidence in online comparison shopping. Pending the

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<sup>9</sup> Reference Decision, paragraph 15.

<sup>10</sup> Regulation 80/2009, article 5(1).

outcome of this review, and assuming the withdrawal agreement is agreed between the UK and EU on substantially its current terms, the Code of Conduct would continue to apply post-Brexit. In any event, Amadeus understands that the Code of Conduct would be adopted in substantively the same form if no withdrawal agreement is agreed as a result of the European Union (Withdrawal) Act 2018.

#### 4. Frame of reference

##### *The importance of direct distribution*

- 4.1 The CMA has stated in its Reference Decision that it believes the correct frame of reference for its review is the supply of services that facilitate the indirect distribution of airline content worldwide.<sup>11</sup> It has also stated that “*the available evidence does not support widening the product frame of reference to include the direct channel. Nevertheless, the CMA will take into account the constraint from the direct channel in its competitive assessment to the extent relevant.*”<sup>12</sup>
- 4.2 The available evidence makes it clear that this view is fundamentally mistaken. The evidence shows that GDSs compete in a market for airline ticket distribution that comprises all distribution channels (including direct distribution). Indeed, the CMA’s reasoning for excluding direct distribution from the frame of reference contradicts the basis for including direct connect as well as clear case law from the European Commission and other national competition authorities. In including direct connect in the frame of reference, the Reference Decision notes that substitution does not have to be complete (see, for example, paragraph 295). The same applies to direct distribution: the relevant question is whether an airline could shift enough bookings from GDSs to the direct channel to render a GDS booking fee increase unprofitable. The empirical evidence shows that the answer is “yes”.
- 4.3 The Reference Decision also excludes direct distribution from the frame of reference because “*indirect distribution reaches a different group of end-customers, ie those who use travel agents and may not want to book a ticket directly with the airline*” (para 354). No evidence whatsoever is cited in support of this proposition. It is directly contradicted by the conclusions of the European Commission on this exact question in *Axa / Permira / Opodo / Go Voyages / edreams* [2011]<sup>13</sup> which concludes specifically that online travel agents do compete with airlines’ own websites based on empirical evidence showing that online travel agents compete to attract customers from airline websites and that customers often switch between the two (and indeed consider both given that most online travel agency customers navigate to their sites via general search sites and/or metasearch sites).
- 4.4 This frame of reference is supported by the available evidence, which includes:
- (a) **Evolution of direct and indirect distribution.** The airline ticket distribution industry has changed significantly in the past ten years and even more so in the last three years. There has been a structural shift in bookings from the indirect to direct channel, which now represent in excess of 60% of total bookings in the

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<sup>11</sup> Reference Decision, paragraph 5.

<sup>12</sup> Reference Decision, paragraph 210.

<sup>13</sup> Case COMP/M.6163 – *Axa / Permira / Opodo / Go Voyages / edreams* (2011).

EU. This shift was noted by the European Commission in the context of its market investigation in *Amadeus / Navitaire* [2016]: “A majority of customers considered that direct distribution (i.e. the airlines' own websites, call centres and ticket offices) and other content aggregators and metasearch companies (e.g., Expedia; Skyscanner; TravelFusion; Ypsilon) compete with GDSs.”<sup>14</sup> However, since 2016, the shift has become even more pronounced. For example:

- (i) As of Q1 2019, Amadeus estimates that only █ of BA bookings in the EU are made via a GDS (█ via direct distribution and █ via APIs) – reduced from █ in 2016.
- (ii) Similarly, only █ of Iberia bookings are made via a GDS (█ via direct distribution and █ via APIs) and only █ of Air France bookings are made via a GDS (█ via direct distribution) – reduced from █ and █ respectively in 2016.

The CMA has recognised this shift in its Reference Decision, stating that “*In 2017, an estimated 42% of global airline tickets were sold through airline.com, up from 34% in 2012, meaning that the majority of tickets are still sold through travel agents (ie using the indirect channel). Airlines almost uniformly told the CMA that they expected the direct channel to keep growing in the next three to five years.*”<sup>15</sup> The importance of direct distribution as one of a number of channels used by European air travellers to book flights is also illustrated by studies conducted by third parties such as Phocuswright<sup>16</sup> (see **Annex III**).

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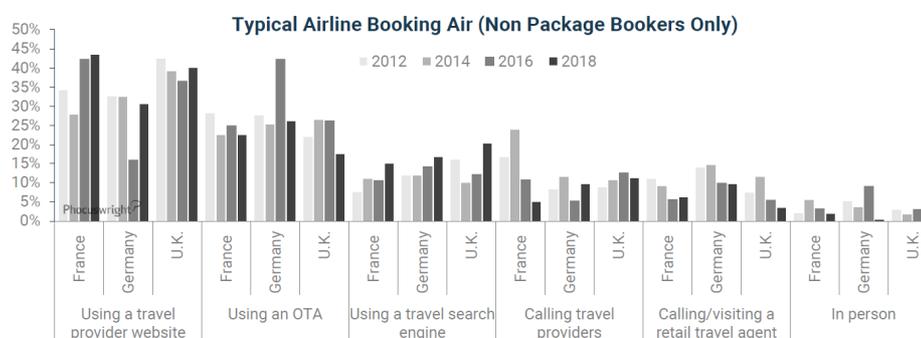
<sup>14</sup> Case COMP/M.7802 – *Amadeus / Navitaire* (2016), paragraph 41.

<sup>15</sup> Reference Decision, paragraph 47.

<sup>16</sup> Phocuswright, *Europe Consumer Travel 2018: Shopping and Booking* (October 2018), page 20.

**Importance of direct distribution for European air travelers**

Overall, Europeans are more likely to typically book their air directly. This is due to the strength of LCC airlines in Europe along with consumers' general understanding of what airlines serve their area.



Question: Please indicate which method you typically use to book each type of travel component. Select all that apply.  
 Base: Air Bookers (Who Booked Separately and Not part of a Package) : French (2014 N=516, 2016 N=449, 2018 N=388), German (2014 N=521, 2016 N=400, 2018 N=430), U.K. (2014 N=562, 2016 N=542, 2018 N=469)  
 Source: Europe Consumer Travel 2018 © 2018 Phocuswright Inc. All Rights Reserved.

Source: Phocuswright

However, the Reference Decision fails to draw the necessary conclusion as to the competitive constraint from direct distribution, particularly as regards the competitive constraint from large airlines which are able to rely on direct distribution to a much larger extent than smaller airlines.

- (b) **Evidence from surcharges and content withdrawal.** The imposition of surcharges and content withdrawal by large airlines has had a detrimental effect on GDS distribution, deviating sales from the neutral indirect channel to the direct channel to a significant degree. By way of example:
- (i) on 1 September 2015, Lufthansa introduced a surcharge of €16 per ticket on bookings made by TAs via GDSs. As a result, the proportion of Lufthansa bookings made using direct distribution (i.e. websites, airport / city ticket offices and call centres) increased from █ to █ of total bookings in the EU and the proportion of Lufthansa bookings made via GDS decreased from █ to █.
  - (ii) between October 2018 and January 2019, Lufthansa withdrew certain content (e.g. several of their lowest fares on routes where they are strongest as an airline i.e. flights departing from Belgium, Germany, Switzerland and the UK (excluding London airports)) from the GDS so that it would only be available via the direct channel. As a result, the proportion of Lufthansa bookings made using direct distribution increased from █ to █ of total bookings in the EU and the proportion of Lufthansa bookings made via GDS decreased to █ from the previous year.

■

■

Similarly, on 1 November 2017, BA introduced a surcharge of £8 per fare component on all bookings made via GDSs (increased to £10.50 on 31 May 2019). As a result, the proportion of BA bookings made using direct distribution (i.e. websites, airport / city ticket offices and call centres) increased from ■ to ■ of total bookings in the EU, whilst the proportion of BA bookings made using GDSs decreased from ■ to ■.

■

■

- (c) **Evidence from third party studies.** The significant degree of competition between direct and indirect distribution is supported by third party studies, which demonstrate how consumers are willing to book via an airline website or OTA having conducted an initial search on Google and/or metasearch. By way of example, Hitwise has reported that on a sample route with a UK POS (in this case, London-to-Orlando), Skyscanner re-directs 49% of searches to airline.com and 51% to OTAs (see **Annex IV** for the report).<sup>19</sup>

#### *Inclusion of direct connect*

4.5 The CMA has stated in its Reference Decision that “*the supply of Direct Connect services and the supply of GDS services form part of the same product frame of reference.*”<sup>20</sup> Amadeus agrees with the CMA’s assessment but, for completeness, would add that any definition of direct connect should include:

- (a) in-house direct connect solutions: such as the BA/IAG direct connect solution in the UK e.g. with Kayak, TPCconnects and HitchHiker.<sup>21</sup> In November 2018, IAG claimed that 17% of its indirect distribution volume is flowing through direct connect solutions e.g. application programming interfaces or New Distribution Capability-based connections.<sup>22</sup>
- (b) direct connect solutions provided to corporates (rather than TAs/OTAs) such as Concur and HRG.<sup>23</sup>

4.6 These direct connect solutions share some of the characteristics of both the direct and indirect distribution channels. The fact that such solutions blur any traditional

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<sup>17</sup> [...]

<sup>18</sup> ■

<sup>19</sup> Hitwise, *Travel in 2017. A digital marketing perspective* (2017), page 12.

<sup>20</sup> Reference Decision, paragraph 202.

<sup>21</sup> For example: <https://mediacentre.britishairways.com/pressrelease/details/86/2016-72/7237>; <https://www.hitchhiker.net/index.php/british-airways-and-hitchhiker-announce-ndc-partnership/>; <https://www.travelweekly.com/Travel-News/Airline-News/TMCs-offered-direct-connect-option-for-British-Airways>.

<sup>22</sup> www.thebeat.com, *Parent of BA And Iberia Touts NDC Gains A Year After GDS Surcharge Launch* (5 November 2018).

<sup>23</sup> For example: <https://buyingbusinesstravel.com/news/2527249-hrg-and-concur-sign-ndc-deals-british-airways/>

distinction between the direct and indirect channels is further evidence of why the CMA should include direct distribution in the same frame of reference as indirect distribution for the purposes of this review.

## **5. Amadeus as an innovator and technology champion**

### *Development of NDC*

5.1 Amadeus is an innovator and technology champion in respect of development of NDC. Whilst the CMA has recognised in its Reference Decision that “*Amadeus is ahead of both Sabre and Travelport in developing an NDC end-to-end solution*”<sup>24</sup> and “*several third parties also confirmed that Amadeus currently has the best capabilities of the GDSs for NDC-enabled services*”,<sup>25</sup> Amadeus feels that the extent of its commitment to NDC has been underrepresented in the review to date. By way of background:

- (a) Amadeus notes that NDC is simply a new communications standard (replacing the old IATA endorsed communications standard, EDIFACT) towards which the airline ticket distribution industry is moving.
- (b) Amadeus has achieved the highest certification currently available on the NDC standard both as an IT provider and as an aggregator: Level 4. This means that Amadeus can offer and order a full product entirely on NDC and offer servicing capabilities e.g. the ability to deal with changes to bookings. Neither Sabre nor Travelport are certified to Level 4.
- (c) Amadeus understands that it is the biggest investor in NDC, spending █ a year since 2017 on NDC-only projects. This figure is much larger if expenditure on NDC is defined more broadly to capture expenditure relating to advanced shopping, cloud and merchandising capabilities.
- (d) Amadeus has invested heavily in the move to cloud-based technology and open source systems, resulting in a capacity to process more than 75,000 transactions per second. The ability to process transactions at a large scale will be important to the success of NDC. Amadeus is investing to ensure its products can scale and support the volume of transactions expected when NDC will be deployed at scale; this includes investment in shopping and cloud technology, and advanced merchandising capabilities.
- (e) Amadeus has invested to upgrade its PSS Altéa with NDC capabilities around Offer and Order Management (investment started in 2015 and initial capabilities were delivered in 2016).
- (f) Amadeus employs over █ full-time equivalent developers on NDC projects (primarily the development of NDC infrastructure).

5.2 Amadeus notes that the Reference Decision states that “*GDSs have only recently increased their engagement and attempts to integrate NDC and now recognise the importance of doing so.*”<sup>26</sup> This is untrue at least insofar as it relates to Amadeus.

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<sup>24</sup> Reference Decision, paragraph 377(a).

<sup>25</sup> Reference Decision, paragraph 309.

<sup>26</sup> Reference Decision, paragraph 68.

Whilst the situation now is better than it was (especially since the publication of NDC version 17.2 in the last quarter of 2017 when minimum capabilities to be used by TAs were included in NDC), the primary causes of delay in relation to NDC development have been:

- (a) the failure of IATA to follow best practice in terms of an open approach to standard setting and involve stakeholders in the development of NDC other than a few large airlines. This has meant that the needs of the broader travel industry, and particularly TAs (e.g. in relation to servicing features, scalability, compatibility with back office systems), have hitherto been ignored.
- (b) the lack of standardisation in the development of NDC, meaning too much divergence and custom interpretation of NDC in the industry. This has meant that too much time has had to be spent on problems relating to the infrastructure of NDC (i.e. its basic ‘plumbing’) and too little time on the creation of innovative features and applications which are supposed to deliver the true value that NDC hopes to enable. More comprehensive standardisation would enable faster, cheaper and more efficient deployment of NDC for all stakeholders.

- 5.3 In its Reference Decision, the CMA has quoted Amadeus’ Vice President (Industry Affairs), Svend Leirvaag, as stating at a panel debate at the CAPA World Aviation Summit 2015: *“IATA has wasted so much money trying to propagandise NDC, and I’m tired of it. We’ve wasted so much time and energy on this. It’s time to demystify NDC.[...] NDC has derailed industry discussion. It’s ill conceived. It has not contributed to the efficiency of the industry”*.<sup>27</sup> This has been used as evidence that GDSs *“were initially sceptical about the value and prospects of NDC”*<sup>28</sup> However, that is an incorrect inference. This was a comment borne, at the time, not of scepticism but rather personal frustration at the lack of progress being made in developing the NDC standard as a result of the non-inclusive approach being taken by IATA. Notably, no TAs or GDSs had been involved in developing the NDC standard even though the standard was explicitly intended for indirect distribution. As a result, many in the airline ticket distribution industry felt that NDC was being motivated by commercial factors (e.g. a desire to disintermediate the market) rather than technical considerations. As Mr. Leirvaag emphasised in a blog published by Amadeus just one week after the summit in question: *“if anyone was ever in doubt, we re-emphasise that since the NDC project got back on a collaborative track in 2014, Amadeus has been engaged in NDC-XML discussions, and is fully committed to supporting IATA in the delivery of a workable standard for all industry players”*.<sup>29</sup>
- 5.4 See attached as **Annex V** a communication from Amadeus to the US Department of Transportation dated 4 June 2019, outlining its response to unfounded allegations made by IATA relating to NDC development.

*Non-core PSS merchandising modules*

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<sup>27</sup> Reference Decision, paragraph 66(c).

<sup>28</sup> Reference Decision, paragraph 66.

<sup>29</sup> <https://amadeus.com/en/insights/blog/towards-a-richer-content-future-at-wps>

- 5.5 Amadeus is also an innovator and technology champion in respect of PSS, including non-core PSS modules such as merchandising. By way of example:
- (a) Amadeus offers Altéa Inventory Direct Link (*AIDL*) which may be used by airlines to offer direct connect services to travel sellers. Furthermore, its New Skies platform offers the capability for airlines to build direct connect services to travel sellers through APIs.
  - (b) Amadeus offers airlines the ability to request access for third party providers to its e-Commerce platform through its “Web Services” programme. Details about the Web Services programme are available on Amadeus’ website, where it states that it is “[t]otally platform-neutral, which allows interoperability between software applications running on disparate platforms and operating systems”.<sup>30</sup> Amadeus has taken proactive steps to encourage the development of innovative solutions by third party providers, as evident from its establishment of the “Amadeus for Developers” programme.<sup>31</sup> Amadeus’ website notes that: “It aims to improve how innovators get access to Amadeus’ services, in particular, how developers work with our APIs. This [programme] also opens the door to newcomers to the travel industry, such as start-ups or independent developers, and it extends Amadeus data and services to new audiences.”<sup>32</sup> This includes the development of the new Amadeus Self-Service APIs, which enable any “innovation partners” to connect to Amadeus data and functionalities in a quick and seamless way.
  - (c) Amadeus has invested heavily to ensure that any upgrades to its PSS system, Altéa – particularly in the context of the development of NDC - include integration of merchandising.<sup>33</sup>
- 5.6 The CMA has stated in its Reference Decision that “with regard to Amadeus, which both Farelogix and Sabre view as a significant competitor, the CMA understands that its merchandising product is not PSS-agnostic, meaning that competition from Amadeus would not protect airlines using Sabre’s core PSS, for whom rivalry between Sabre and Farelogix is likely to be most important.”<sup>34</sup> Amadeus wishes to clarify that while some of its add-on services are PSS agnostic and others only work with Amadeus’ PSS, this is not necessarily by design or indicative of future approach. Indeed, where a non-core PSS module is only compatible with Amadeus’ PSS, this is usually a consequence of the fact that Amadeus has yet to receive requests from non-Amadeus PSS customers for access to these functionalities.

## 6. Conclusion

- 6.1 It is critical that the CMA takes account of the evidence provided in this submission to ensure that it achieves the appropriate level of analysis for its Phase 2 process.

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<sup>30</sup> [https://webservices.amadeus.com/features\\_benefits.do#how](https://webservices.amadeus.com/features_benefits.do#how)

<sup>31</sup> <https://developers.amadeus.com/blog/read?tab=0&categoryId=1&category=News&id=166&dateId=2&year=2018>

<sup>32</sup> <https://developers.amadeus.com/blog/read?tab=0&categoryId=1&category=News&id=166&dateId=2&year=2018>

<sup>33</sup> See response to Q.8 of the CMA questionnaire.

<sup>34</sup> Reference Decision, paragraph 248.

- 6.2 Amadeus looks forward to engaging with the CMA throughout the Phase 2 process and would be happy to assist in answering any questions that may arise from its review.

**LIST OF ANNEXES**

- (a) **[...]**
- (b) **Annex II:** ERA press release on the Code of Conduct
- (c) **Annex III:** *Europe Consumer Travel 2018: Shopping and Booking* (October 2018)
- (d) **Annex IV:** Hitwise study on *Travel in 2017. A digital marketing perspective* (2017)
- (e) **Annex V:** Amadeus communication to US Department of Transportation