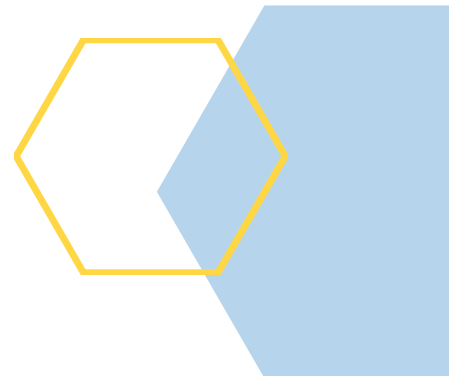




FIRST VIEW  
May 2022



# Verdict in US Airways vs Sabre - Preserves the Status Quo





## THE FACTS

A jury in the U.S. District Court for the Southern District of New York returned a verdict in the US Airways vs Sabre trial on Thursday 19 May. On the claim that Sabre's contract with US Airways was anti-competitive the jury found in favour of the GDS company. On the related claim that Sabre operated an unlawful monopoly it found for the airline but awarded a single dollar in compensation.

## THE ANALYSIS

Prior to the trial T2RL published an analysis of the issues involved and the likely implications of the possible verdicts. This is available to subscribers at [www.t2rl.net](http://www.t2rl.net)<sup>1</sup>. In that analysis we concentrated on the potential implications of a victory for US Airways as this would have had the greatest effect on the future airline distribution landscape. As it has turned out the verdicts have largely gone in favour of Sabre and so the status quo prevails.

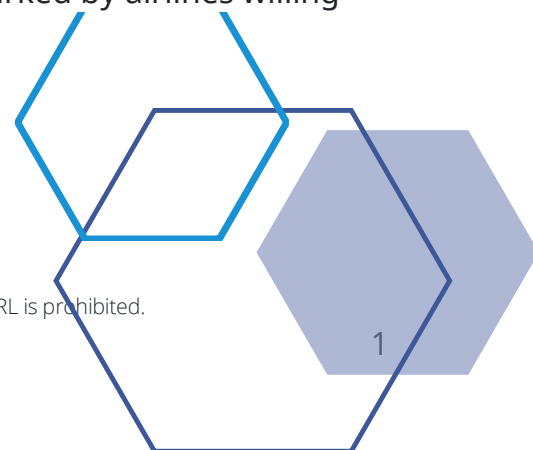
The finding that Sabre did engage in unlawful monopolistic behaviour may be considered a moral victory for US Airways but the token damages award suggests that it will not lead to significant change. In the absence of a strong lead from the court the chances have vastly decreased that there will be any enforcement, regulatory or legislative action on the topic in the USA. This follows the decision of the European Union to take no action after last year's investigation into Sabre and Amadeus. Most regulators in other regions have historically taken their cue from either the United States Departments of Justice and Transportation or the European Commission, or both. This strongly suggests that for the foreseeable future there will be no governmental action on the issues raised in the case.

This puts more pressure on the airlines to solve their distribution problems commercially, which could cause a transition from an era of a tense stalemate into one marked by an increased frequency of intense battles sparked by airlines willing

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<sup>1</sup> [US Airways vs Sabre - https://www.t2rl.net/insight/display?ID=696](https://www.t2rl.net/insight/display?ID=696)

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and able to take risks. It also favours airlines with sufficient market power by virtue of their size or influence in key markets and disadvantages smaller and mid-sized carriers that lack such levers in negotiation.

Many airlines have already embraced that reality. In our reports on the market for NDC we have observed a lot of recent NDC via GDS deals. Some tier 1 and tier 2 airlines have found a deal with the GDSs to distribute NDC content, presumably either with cost savings or possibly revenue driving outcomes. In some cases this follows several years of refusing full content agreements and adopting NDC distribution without GDSs. It has not been without significant cost. Carriers that have announced deals, like the major airline groups in the European Union and Emirates in the Middle East, have been prepared to go through a period of disruption. Others, like Qantas, Singapore Airlines, American and United, have also invested significant time and resources into NDC and NDC via GDS. Some like Qatar Airways and Avianca have agreed deals in parallel to technology deals. The common thread running through all of these (with the possible exception of Singapore Airlines) is that they are substantial enterprises which have a significant share in an important home market.

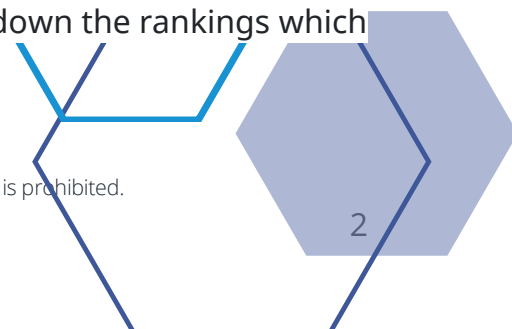
## THE SPECULATION

It will take time for the full implications of the court's verdicts to sink in but it is possible to make an initial assessment.

For the GDSs it is a partial vindication of their stance. It will help preserve their position for the next several years. Sabre and Amadeus are best placed to take advantage given their ability to work both ends of the NDC transition but it won't hurt Travelport. However Amadeus, Sabre and TravelSky will be able to charge premiums for their PSS services giving them competitive advantage over Travelport in terms of capture of their share of direct connect, whether that is charging for APIs in NDC or non-NDC flavors.

For airlines it is a timely reminder that they are unlikely to be rescued by government regulators. They will have to manage their distribution relationships on the basis of commercial considerations, including PSS agreements, and relative market power. This is better news for top-tier carriers than for those further down the rankings which

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will need to work very hard on synergies between their GDS, PSS, e-commerce and merchandising agreements.

For technology providers that are not GDSs the news is somewhat positive. Airlines looking for leverage in GDS negotiations will continue to deploy direct connect solutions where they can. The challenge will be to sustain those solutions once the GDSs have ironed out all the issues with their own NDC offerings.

For travel sellers there should be no real change. Most small to medium sized players will continue to take GDS services and the giants of the industry have enough market power to follow their own strategies.

Investors in the segment will take heart that the court has not driven more disruption and volatility. Stocks that were a good investment before last Thursday are still a good investment today. Similarly the court has not reprieved any strugglers. There are more than enough uncertainties around investment decisions. One of them has been lessened for the next few years at least.

*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).*

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