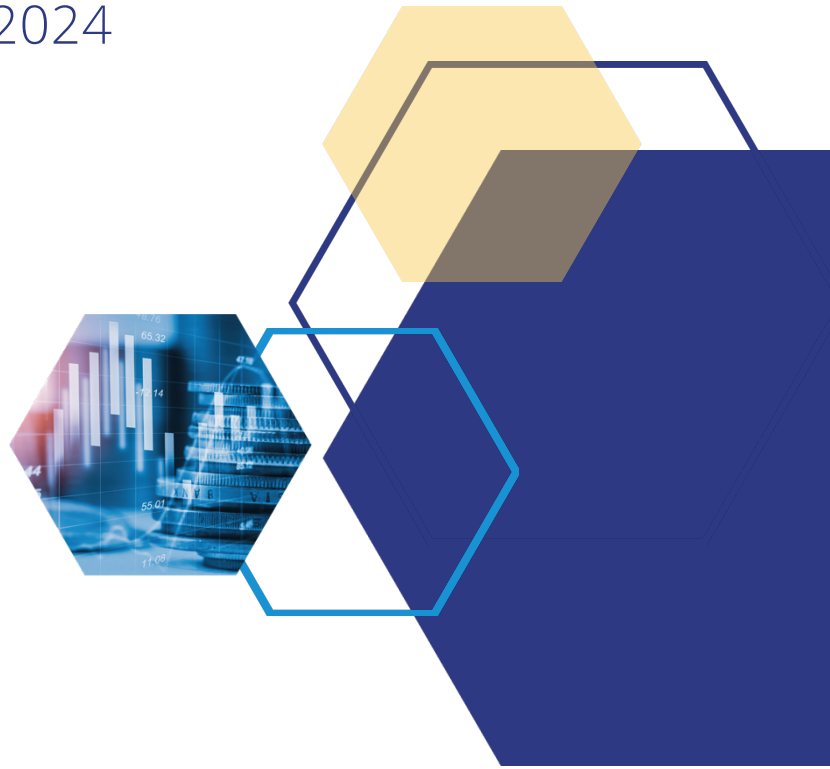
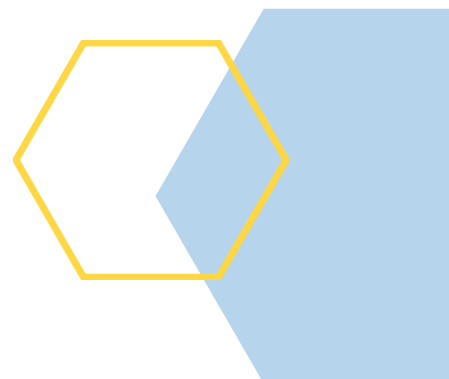




FIRST VIEW
December 2024



American and Sabre Don't Divorce - Again





THE FACTS

American Airlines and Sabre have finally settled their legal dispute that dates back to 2011. At the same time they have announced a multi-year extension to the technology partnership that provides the SabreSonic passenger services system.

THE ANALYSIS

The airline world was a very different place in 2011. The dispute that has been settled this week was originally between US Airways and Sabre and concerned allegations that the GDS company exercised illegal monopoly power over airline distribution. After a decade of twists and turns that would not be out of place in a John Grisham novel the case was finally decided in favour of the airline in 2022. However the jury awarded only nominal damages of \$1, which was tripled to \$3 under antitrust law. The remaining dispute was over legal costs which the airline, now merged with American, claimed it should receive as the case had been judged in its favour. It is this matter that has now reached the negotiated settlement that was notified to the court on December 6th.

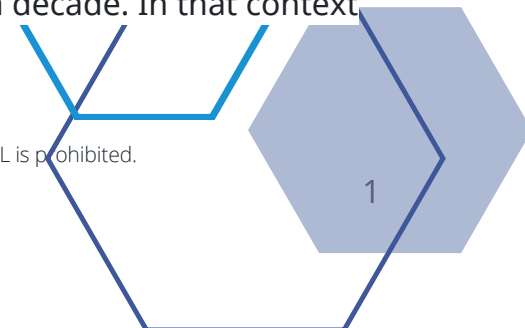
The settlement paved the way for the announcement on December 10th that the two parties have agreed a “multi-year” renewal of their technology partnership, which primarily provides the passenger services system at the heart of all American’s commercial operations. This is a critical milestone for both parties and in reality it was completely inevitable.

Sabre was the first significant airline reservations system when it was launched by American Airlines in the early 1960s. Despite being spun off as a separate company in 2000 it remains completely embedded in all the airline’s activities with hundreds of connections to other IT systems around the airline. An attempt was made to move the airline away from Sabre to a new PSS to be built by Hewlett-Packard in 2009. This failed to deliver a single line of code and was abandoned in 2012. American simply could not move away from Sabre in any time scale less than a decade. In that context a multi-year renewal was the only possible option.

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For Sabre it is essential to keep American Airlines on its platform. In 2011 it provided PSS to 79 airlines and had a market share, measured in volume terms, of 14.6%. In 2023 its market share had fallen to 13.2% but the number of airlines on the system was down to 34. Some of this fall is attributable to airline consolidation but it has also seen net losses, mostly to Amadeus. In the last two years these have included ITA, Etihad, Hawaiian and Vietnam Airlines. American Airlines now accounts for 36.5% of the bookings processed by the Sabre PSS. If this volume were removed it is very hard to see how the economics of operating the platform would continue to stack up.

THE SPECULATION

The renewal announcement makes no mention of American's intentions towards the industry transition away from traditional PSS and towards Offers and Orders. So far no major US carrier has shown its hand in this respect but it is quite certain that they are all thinking about it. In May 2024 American and Sabre announced that they are cooperating on a proof of concept for SabreMosaic – the Offer and Order platform proposed by Sabre to replace the PSS. So far there has been no public disclosure of any results from that cooperation.

There is a history of bad blood between the two companies that has been shown in many disputes over distribution as well as the attempt to move to the H-P platform during the last decade. It is extremely likely that within the airline evaluations are taking place of alternative routes to Offers and Orders. The most likely path would involve a “box on top” approach in which SabreSonic remained in place for a very extended period on the back end and the new capabilities were gradually built at the front. There are several potential vendors in the marketplace that would jump at the chance to work with American Airlines on such a project.

Despite this the very long time scales involved do give Sabre the opportunity to prove its SabreMosaic solution and convince the airline's management that it offers the best way forward. For all that there may be an emotional wish to break away there is also a pragmatic intention to adopt the solutions that provide the best functionality and economic outcomes. The onus will be on Sabre to demonstrate that SabreMosaic is one such solution.

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