



EUROPEAN COMMISSION
DG Competition

Case M.7802 -
AMADEUS /
NAVITAIRE

Only the English text is available and authentic.

REGULATION (EC) No 139/2004
MERGER PROCEDURE

Article 6(1)(b) NON-OPPOSITION
Date: 19/01/2016

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EUROPEAN COMMISSION

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PUBLIC VERSION

MERGER PROCEDURE

To the notifying party:

Dear Sir/Madam,

**Subject: Case M.7802 – AMADEUS / NAVITAIRE
Commission decision pursuant to 6(1)(b) in conjunction with Article 22(3) of Council Regulation No 139/2004¹ and Article 57 of the Agreement on the European Economic Area²**

¹ OJ L 24, 29.1.2004, p. 1 ('the Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

² OJ L 1, 3.1.1994, p.3 (the "EEA Agreement").

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- (1) On 4 December 2015, the European Commission received a notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Amadeus IT Group S.A. ("**Amadeus**", Spain) intends to acquire within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the whole of Navitaire LLC ("**Navitaire**", USA) by way of purchase of shares and assets (the "**Transaction**").³ Amadeus and Navitaire are collectively referred to as "**the Parties**".

³ Publication in the Official Journal of the European Union No C 411, 11.12.2015, p. 9.

- (2) The concentration has been referred to the Commission by the United Kingdom pursuant to Article 22 (3) of the Merger Regulation. The referral was subsequently joined by Austria, Germany and Spain.

1. THE PARTIES

- (3) **Amadeus** provides IT solutions to travel service providers ("**TSPs**") like airlines and travel agencies ("**TA**") worldwide. Amadeus' main activities are the provision of (i) Global Distribution System ("**GDS**") services and (ii) internal IT solutions for airlines and airports. Amadeus' IT solutions for airlines include solutions for reservation and inventory management, departure control and other operational processes. In particular, Amadeus offers a Passenger Service System ("**PSS**") called "**Altéa**".
- (4) Amadeus' *Altéa* is a PSS originally designed for full service carriers ("**FSCs**"). It offers rich functionality suitable for airlines which have complex route networks, complex fare structures as well as interlining and code share arrangements with other airlines.
- (5) **Navitaire** is a wholly owned subsidiary of Accenture plc (Ireland) that provides IT solutions primarily to airlines, as well as high-speed rail and long-haul bus companies. Navitaire is active mainly in the area of reservations and inventory management services and ancillary products, where it offers a PSS called "**New Skies**".
- (6) Navitaire's *New Skies* is a basic PSS which offers a limited set of functionalities. It was originally designed primarily for low cost carriers ("**LCCs**"), offering point-to-point services, with no or limited codeshares or interlining with other carriers, simpler fare structures and mainly ticketless solutions.

2. THE OPERATION

- (7) The Transaction involves the acquisition of all of the equity of Navitaire and assets related to Navitaire's business by Amadeus from Accenture. As a result, Amadeus will solely control Navitaire.
- (8) The Transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

3. UNION DIMENSION

- (9) The Transaction does not have a Union dimension within the meaning of Article 1 of the Merger Regulation as the Parties' turnover does not meet the thresholds of Article 1(2) or 1(3). It would have been subject to merger control clearance in Austria, Germany, Spain and the United Kingdom.
- (10) On 18 September 2015, the proposed concentration was referred to the Commission by the Competition & Markets Authority, the national competition authority of the United Kingdom ("**CMA**"), pursuant to Article 22(1) of the Merger Regulation. The national competition authorities of Austria, Germany and Spain subsequently joint the request made by the CMA. The Commission accepted the request on 15 October 2015 and therefore decided to examine the Transaction under the Merger Regulation pursuant to Article 22(3) of the Merger Regulation.

4. MARKET DEFINITION

- (11) The overlap between the Parties' activities is essentially limited to PSS solutions for airlines. In addition, to a very limited extent the Parties' activities overlap in revenue accounting software and IT solutions for railway companies. Since the Parties' combined market share on each of these latter two markets would be in all instances below 5%, these markets are not affected and will not be discussed further in this decision.
- (12) Only Amadeus provides GDS services, which is a related market to that of PSS.

4.1. Passenger Service System (PSS)

- (13) A PSS is an IT solution which airlines use to internally manage reservation, inventory and departure control.
- (14) According to the Parties, PSSs are made up of three modules that are used to manage different parts of the airline's system. In all but exceptional cases these core modules are sold together. These three core modules are:
- (i) Airline reservation system ("ARS") is the part of the PSS that supports direct contact with the passenger and are used for the reservations of a particular airline. An ARS contains airline schedules, fare tariffs, passenger reservations and ticket records;
 - (ii) Airline inventory system ("AIS") contains all flights and available seats. The inventory of an airline is basically the seat capacity of its aircraft. It is generally divided into services classes (e.g., economy, first or business class) and up to 26 booking classes, for which different prices and booking conditions apply; and
 - (iii) Departure control system ("DCS") effectively translates the reservation system to the airport for the purposes of checking-in passengers and allowing the flight to depart. It manages the information required for airport check-in and printing boarding cards, baggage acceptance, boarding, load control and aircraft checks.
- (15) A majority of respondents to the market investigation indicated that ARS, AIS, DCS are core functionalities of a PSS and that these are usually sold together. e-ticketing appears to be a core functionality only for airlines operating in a ticketing environment but not for airlines which operate a ticketless solution. Other functionalities such as e-Commerce, loyalty management, revenue accounting, revenue/yield management, flight planning and crew management are considered ancillary products that can be sold separately and developed independently of a PSS.⁴
- (16) For the purpose of the present decision the Commission considers that PSS comprises ARS, AIS, DCS and for carriers which issue a ticket also e-ticketing.

⁴ Responses to questionnaire Q1 – Competitors, question 6 and 7. Responses to questionnaire Q2 – Customers, questions 8 and 9.

4.1.1. Overall market for PSS services

- (17) The Commission has not yet considered the field of PSS. In its decisional practice, the Commission has examined different IT solutions consisting of bundled products to provide comprehensive support to a given business in a number of decisions, in particular in the areas of software products and IT services.
- (18) In the area of software products, the Commission generally distinguishes between business software and consumer software. Within business software, a distinction is generally drawn between infrastructure software on the one hand and application software on the other.⁵
- (19) As regards IT services, the Commission has generally segmented this area according to: (i) the functionality of the services and (ii) the different sectors concerned.⁶
- (20) In the course of the Commission's market investigation, a majority of customers⁷ and competitors⁸ alike considered that the PSS market was an entirely distinct market of its own and belonged neither to the software nor to the IT services markets.
- (21) However, regardless of whether the market for PSS solutions belongs to the overall market for software products or IT services, the Transaction will be assessed on the basis of a distinct product market for PSS solutions, which is the narrowest possible overall product market delineation. Given that an assessment on an overall market for IT services or for software products would only lead to a dilution of the Parties' market shares, it can remain open whether the market for PSS solution belongs to the market for software products or for IT services.

4.1.2. Distinction by type of customer

- (22) The Parties argue that it is necessary to distinguish between PSSs that cater to more complex requirements and PSSs that offer a simpler range of functionalities. Thus, it may be relevant to distinguish the market further based on the different carriers' business model, distinguishing in particular between PSS solutions for FSCs and LCCs.
- (23) There is a third group of airlines which covers the middle ground and has a business model "in between" FSCs and LCCs. These airlines are commonly referred to as hybrid carriers. The Parties propose to further distinguish between hybrid carriers which require PSS functionalities which are closer to those of FSCs ("complex hybrids") and hybrid carriers which require functionalities which are closer to those of LCCs ("simple hybrids").⁹

⁵ See e.g. M.3216 – *Oracle/PeopleSoft*, para. 15.

⁶ See e.g. M.6237 – *Computer Sciences Corporation/iSoft Group*, paras. 10–11.

⁷ Q2 – Questionnaire to customers, question 7.

⁸ Q1 – Questionnaire to competitors, question 5.

⁹ The Parties submit that simple hybrids are carriers that operate a business model closer to the "pure" LCCs, with simple route networks and simple fare structures. Complex hybrids would be

- (24) Those hybrid carriers which are closer to FSCs with more complex route networks and more extensive cooperation with other carriers and sometimes alliance memberships are often referred to as "complex hybrids". Using the example of Air Berlin as a complex hybrid carrier, which has more than a dozen codesharing/interlining agreements with FSCs, offers multi-segment trips, provides both economy and business classes, allows for leisure travel company originated bookings, and has several fare categories.
- (25) By contrast, simple hybrid carriers are those that are still much closer to the "pure" LCCs and have simpler route networks and simpler fare structures. Their PSS allows only limited codeshare/interline functions, and typically these carriers use direct distribution. Whilst they are still only offering point-to-point trips, with two cabins and two fares, corporate travellers are also beginning to be targeted by simple hybrid carriers.
- (26) However, there is no precise definition of what would constitute a simple hybrid and what would constitute a complex hybrid.
- (27) According to the result of the market investigation, market participants, including both customers and other competitors concur with the Parties' proposed delineation between FSCs, LCCs and hybrid airlines.
- (28) In particular, a majority of customers¹⁰ and competitors¹¹ which responded to the market investigation agreed to the Parties' view of segmentation by airlines requirements. The respondents indicated that suppliers of PSS services offer different products to cater for different needs of airlines (e.g. whether they interline, code share, connect with other airlines); therefore the PSS market can be segmented according to the different functional requirements of airlines. As regards a further market segmentation within the hybrid segment between hybrid complex and hybrid simple carriers the replies of customers were mixed,¹² whereas a majority of competitors indicated that a further sub-delineation within the hybrid carrier segment would not be warranted.¹³ In addition, from a supply-side substitutability a majority of competitors offer PSS solutions that meet the requirements of all airlines across the full spectrum of market segments.¹⁴
- (29) The Commission considers that the market for PSS services is a single but differentiated market which encompasses products with a different degree of complexity: basic functionalities at one end (i.e. with no or limited connections, no or limited indirect distribution, ticketless environment, simple fare structures, etc.) and complex functionalities at the other end of the spectrum (i.e. interlining, code-sharing, indirect distribution, e-ticketing, complex fare structures, etc.). The degree of substitutability between different PSS is liable to vary de-

closer to FSC carriers, with more complex route networks, more complex fares, e-ticketing requirements and extensive cooperation with other carriers and sometimes alliance memberships.

¹⁰ Responses to questionnaire Q2 – Customers, question 10.

¹¹ Responses to questionnaire Q1 – Competitors, question 9.

¹² Responses to questionnaire Q2 – Customers, question 11.

¹³ Responses to questionnaire Q1 – Competitors, question 10.

¹⁴ Responses to questionnaire Q1 – Competitors, question 11.

pending on the PSS requirements of each airline. When in the following reference is made to simple hybrids and complex hybrid, this relates to factual differences in the PSS requirements of airlines that can all be qualified as hybrid but that require varying degrees of complexity from their PSS.

4.1.3. *In-house provision of PSS*

- (30) The Parties also argue that provision of PSS developed in-house is a credible alternative to external supply and thus exercise a significant competitive constraint on external PSS providers. Examples of airlines with in-house PSS solutions include easyJet, Aer Lingus (Astral), Alitalia (ARCO), Air Canada (RES III), Delta (Deltamatic), Emirates (MARS/MACS), Iberia (RESIBER) and Turkish Airlines (Troja).¹⁵
- (31) While it is true that a substantial part of the market is serviced by in-house solutions, an in-house solution is not a protection against price increases for airlines using a third party PSS. In case of a small but significant and non-transitory price increase of PSS services, airlines would not switch easily to a PSS in-house solution, due to the high investment and time required to develop and maintain a proprietary PSS solution.¹⁶ Consequently, a majority of customers do not consider PSS in-house solutions as an alternative to third party PSS services. This is corroborated by the fact that none of the airline customers that participated in the market investigation has ever reverted from a third party PSS provider to an own in-house PSS solution. Because of this one-way substitution from in-house to third party PSS, the argument of the Parties that in-house PSS exert a significant competitive constraint on external PSS providers has to be rejected.

4.1.4. *Geographic scope of the market for PSS services*

- (32) As concerns the geographic scope of a possible market for PSS solutions, the Parties submit that it is worldwide because airlines are active beyond national borders and procure their PSS solutions from suppliers serving a world market. Indeed, more than 50% of airlines based in the EEA or serving customers in EEA countries (in-house PSS solutions excluded) have PSS solutions provided by companies not based in the EEA, according to market share data submitted by the Parties.
- (33) The German Federal Cartel Office is understood to have looked at a world market excluding China since the Chinese market is currently exclusively served by a Chinese PSS provider (Travelsky).¹⁷ The Parties claim that despite this monopoly by Travelsky non-Chinese suppliers are regularly invited to tenders. However, so far to no avail. In any event, the inclusion of China would not materially change the assessment.

¹⁵ RESIBER's PSS solution by Iberia's offers AIS and DCS, but not ARS.

¹⁶ Responses to questionnaire Q2 – Customers, question 36.

¹⁷ The Chinese PSS market is largely dominated by Travelsky Technology Limited, a state-owned technology company providing IT and computer reservation system services to TSPs and TAs in China.

- (34) Large majorities of customers and competitors stated that they believed the scope of the PSS market to be worldwide, although some of them pointed out that PSS providers, especially those offering also GDS services, are strongest in their home regions and that airlines with European footprint may focus on European PSS providers.¹⁸
- (35) On the basis of the result of the market investigation, the Commission considers that airlines seem indeed to source their PSS solutions from providers active on a worldwide scale and PSS providers do cater to airlines around the world.
- (36) Therefore, for the purpose of the assessment of the Transaction the geographic scope of the PSS market is worldwide.

4.2. Global Distribution Systems (GDS)

4.2.1. Product market

- (37) GDS is a platform that allows travel agencies to compare information on timetables (schedules), capacity, inventory, availability and prices and book tickets on a large and varied number of travel service providers worldwide. Travel agents ("TAs") typically use a GDS to book and issue tickets on flights operated by any airline participating in the GDSs.
- (38) In previous cases, the Commission has defined a GDS as a tool provided to TAs that allows them to obtain information and make reservations related to airlines and other internationally operating travel service providers ("TSPs"), including car rental companies and hotels. These TSPs supply the GDS with data on the products they provide.¹⁹
- (39) The Commission has also determined that GDS providers act as intermediaries in a market of a two-sided nature, connecting two separate customer categories. Upstream, TSPs provide GDSs with information on their booking inventory and the content, while GDSs offer TSPs booking capabilities and a distribution channel to TAs. Downstream, GDSs provide TAs with reservation, booking and ticketing services by means of a comprehensive tool which allows comparison of prices and conditions from hundreds of TSPs.²⁰
- (40) The Parties agree with this product market definition.
- (41) Large majorities of customers and competitors likewise concurred with the Commission's previous market delineation.²¹ Furthermore, 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 in

¹⁸ Q1 – Questionnaire to competitors, question 14; Q2 – Questionnaire to customers, question 17.

¹⁹ See Commission decisions in case M.4523 – *Travelport/Worldspan*, paragraph 11.

²⁰ See Commission decisions in cases M.2197 – *Hilton/Accor/Forte/Travel Services/JV* of 16 February 2001, M.2510 – *Cendant/Galileo* of 24 September 2001 and M.2794 – *Amadeus/GGL/JV* of 21 May 2002.

²¹ Q1 – Questionnaire to competitors, question 12; Q2 – Questionnaire to customers, question 13.

the same relevant product market. A majority of competitors however opposed to this assessment.²²

- (42) Based on its own precedents, the submission of the Parties and the results of the market investigation, the Commission concludes that for the purpose of the assessment of the Transaction the GDS market is defined as previously specified in this section. The question of whether direct distributors and content aggregators compete in the same market can be left open for the purpose of this decision because it has no bearing on the competitive assessment.

4.2.2. *Geographic market*

- (43) With regard to the geographic definition of GDS, the Commission has defined in previous cases that the geographic market is EEA-wide on the upstream side of the market (that is to say, TSPs providing booking inventory to GDS providers) and national in scope on the downstream side of the market (that is to say, GDS providers providing reservation, booking and ticketing services to TAs).
- (44) The Parties agree with this product market definition.
- (45) Large majorities of customers and competitors stated that they believed the scope of the GDS market to be worldwide, although some of them mentioned that GDS providers are stronger in their home regions, because that is where they tend to have the largest number of travel agencies (subscribers).²³
- (46) The Commission considers that airlines seem indeed to source their GDS solutions from providers active on a worldwide scale and GDS providers do cater to airlines around the world.
- (47) Therefore for the purpose of the assessment of the Transaction on the upstream side of the GDS market, the Commission considers that the geographical scope is worldwide. As regards the GDS downstream market, the delineation of the geographical market may be left open as this market is not affected.

4.3. **Overall conclusion on market definition**

- (48) In conclusion, for the purpose of the present case, the Commission will consider the market for PSS solutions as a single but differentiated market depending on the complexity of the provided PSS solution and the requirements of the demanding airline customers with a worldwide scope. The GDS market will likewise be looked at as a separate market with a worldwide dimension on the upstream side of the market.

5. **COMPETITIVE ASSESSMENT**

- (49) The Transaction leads to:
- (a) horizontal overlaps in the supply of PSSs to airlines; and

²² Q1 – Questionnaire to competitors, question 13; Q2 – Questionnaire to customers, question 16.

²³ Q1 – Questionnaire to competitors, question 15; Q2 – Questionnaire to customers, question 18.

- (b) potential conglomerate effects arising from the supply of GDSs and PSSs to airlines.

5.1. Horizontal effects

- (50) Effective competition brings benefit to consumers, such as low prices, high quality products and innovation. Through merger control, the Commission prevents mergers that would be likely to deprive customers of those benefits by significantly increasing the market power of firms.²⁴
- (51) From a horizontal viewpoint, effective competition may be impeded by (i) eliminating important constraints due to post-merger large market shares, the competitive pressure the merging entities may exert on each other, the likelihood of market entry or the customers' vulnerability to price increases (non-coordinated effects) or by (ii) increasing the likelihood that firms active on the same market may be able to coordinate their behaviour with a view to raising prices (coordinated effects).²⁵
- (52) The Commission has examined the likelihood of the Transaction resulting in any of those effects.
- (53) The Parties' PSS businesses are active in all parts of the world except for China, which is for the moment almost exclusively served by a Chinese provider, Travelsky. The Parties' PSS market share is, as will be shown in the following section, rather high. However, the high combined market shares of Navitaire and Amadeus may be misleading. This is because the PSS market may be further segmented according to the degree of complexity of the functionalities provided by the different PSS solutions, as already explained in paragraph (29) and will be further examined in section 5.1.2. The Parties offer different products for which they are not close competitors to each other. Also, while competition between the Parties today is limited, the Commission undertook a thorough assessment (in part also spurred by two complainants) of the Parties' future plans with regard in particular to the hybrid customer segment.

5.1.1. Market shares

- (54) On an overall world market for PSS solutions excluding China and excluding also in-house developed PSS solutions (for the reasons set out in section 4.1.3), market shares in terms of passengers boarded²⁶ in 2014 would be as follows:

²⁴ Commission Guidelines on the assessment of horizontal mergers, OJ C31, 5.2.2004, p.5 ("Horizontal Merger Guidelines") paragraph 8.

²⁵ Horizontal Merger Guidelines, paragraphs 22 to 39.

²⁶ The Parties submit that the appropriate way of measuring market shares in the PSS industry is by reference to the number of airlines served by each supplier because the PSS market is a bidding market. However, the Parties have provided market shares by "passengers boarded". In the Commission's market investigation, majorities of customers and competitors regarded "passengers boarded" as the most appropriate metric to measure market share in PSS services; Responses to questionnaire Q1 – Competitors, question 18. Responses to questionnaire Q2 – Customers, question 21. The Commission considers that "passengers boarded" is an appropriate metric to measure market power.

Table 1: Market shares PSS Worldwide 2014, excluding China and excluding in-house solutions

Competitor	By number of airlines		By Passengers Boarded (PB)	
	Number of airlines	Market share	PB	Market share
Amadeus	[...]	[10-20]%	[...]	[30-40]%
Navitaire	[...]	[5-10]%	[...]	[10-20]%
Combined	[...]	[20-30]%	[...]	[50-60]%
Sabre	[...]	[10-20]%	[...]	[20-30]%
SITA	[...]	[5-10]%	[...]	[5-10]%
Travelsky	[...]	[0-5]%	[...]	[0-5]%
Radixx	[...]	[0-5]%	[...]	[0-5]%
Other	[...]	[30-40]%	[...]	[10-20]%
Unknown	[...]	[10-20]%	[...]	[0-5]%
TOTAL	[...]	100%	[...]	100%

Source Annex 6.6 to the Form CO.

- (55) Table 1 shows that Amadeus and Navitaire's market shares would account for [30-40]% and [10-20]% respectively, or [50-60]% combined, the Parties' most important competitors being Sabre ([20-30]%), SITA ([5-10]%), Travelsky ([0-5]%) and Radixx ([0-5]%). Even if China and in-house were included, as the Parties propose, the Parties would still have more than 40%.²⁷ A comparison of market shares over the past five years shows that the Parties' overall market shares have only increased marginally.^{28,29}
- (56) The Parties' combined overall market share do not allow for an assessment of the substitutability of the Parties PSS products. On the basis of the market investigation, the Commission considers that a further sub-segmentation by type of customer according to the complexity of the PSS functionalities they require shows that the Parties are not close competitors given that (i) they do not compete against each other for FSCs and (ii) competition between them is negligible for LCCs. In particular:
- (i) [80-90]% of Amadeus' customers are FSCs. Navitaire, on the other hand, does not have any FSC customer;
 - (ii) [50-60]% of Navitaire's customers are LCCs. Amadeus has only one LCC customer which is [...].

²⁷ The market shares of the Parties in an overall world market for PSS solutions by passengers boarded including China and in-house solutions in 2014 would not change substantially (Amadeus [20-30]% and Navitaire [10-20]%). According to this delineation of the market, the Parties' most important competitors include Sabre ([10-20]%), SITA ([0-5]%), Travelsky ([10-20]%) and Radixx ([0-5]%).

²⁸ Amadeus' market shares for the overall segment during each of the years from 2010 to 2014 were [30-40%], [30-40%], [30-40%], [30-40%] and [30-40%] – Form CO, Annex 6.6.

²⁹ Navitaire's market shares for the overall segment during each of the years from 2010 to 2014 were [10-20%], [10-20%], [10-20%], [10-20%] and [10-20%] – Form CO, Annex 6.6.

- (57) An overview of the market shares by customer type demonstrates that the Parties are strong in different market segments, and tend to compete only in the hybrid segment:³⁰

Table 2: Parties' market shares by type of customer and passengers boarded, worldwide, excluding China and excluding in-house PSS solutions (2014)

	FSC	Hybrid	LCC	Overall
Amadeus	[40-50]%	[20-30]%	[0-5]%	[30-40]%
Navitaire	[0-5]%	[20-30]%	[60-70]%	[10-20]%
Combined	[40-50]%	[50-60]%	[60-70]%	[50-60]%

Source: Form CO

- (58) When looking at the Parties' market share evolution over the last five years for the hybrid segment, where both the Parties tend to meet, their individual market shares have increased only to a minor extent.³¹⁻³²
- (59) On a market including China and in-house solutions, nothing would change about the fact that the Parties do not compete for FSCs and LCCs, while in the hybrid segment their combined market share would amount to [40-50]%.
- (60) Table 3 shows a more detailed market share breakdown of the Parties and their competitors.

Table 3: Market shares PSS Worldwide by carrier type 2014, excluding China and excluding in-house solutions

Segment	Competitor	By number of airlines		By Passengers Boarded (PB)	
		Number of airlines	Market share	PB	Market share
FSC	Amadeus	[...]	[30-40]%	[...]	[40-50]%
	Navitaire	0	0.0%	0	0.0%
	Combined	[...]	[30-40]%	[...]	[40-50]%
	Bravo	[...]	[0-5]%	[...]	[0-5]%
	HP	[...]	[0-5]%	[...]	[10-20]%
	Hitit	[...]	[0-5]%	[...]	0.0%
	IBS	[...]	[0-5]%	[...]	[0-5]%
	Mercator	[...]	[0-5]%	[...]	[0-5]%
	Radixx	[...]	[0-5]%	[...]	[0-5]%
	SITA	[...]	[10-20]%	[...]	[5-10]%
Sabre	[...]	[10-20]%	[...]	[20-30]%	

³⁰ Source: Form CO, Annex 6.2.

³¹ Amadeus' market shares for the hybrid segment during each of the years from 2010 to 2014 were [20-30]%, [30-40]%, [30-40]%, [20-30]% and [20-30]% – Form CO, Annex 6.7.

³² Navitaire's market shares for the hybrid segment during each of the years from 2010 to 2014 were [20-30]%, [20-30]%, [20-30]%, [20-30]% and [20-30]% – Form CO, Annex 6.7.

HYBRID	Travelsky	[...]	[0-5]%	[...]	[0-5]%	
	Other	[...]	[10-20]%	[...]	[0-5]%	
	Unknown	[...]	[10-20]%	[...]	[0-5]%	
	TOTAL	[...]	100%	[...]	100%	
	Amadeus	[...]	[10-20]%	[...]	[20-30]%	
	Navitaire	[...]	[10-20]%	[...]	[20-30]%	
	Combined	[...]	[30-40]%	[...]	[50-60]%	
	Bravo	[...]	[0-5]%	[...]	[0-5]%	
	HP	[...]	[0-5]%	[...]	[0-5]%	
	Hitit	[...]	[0-5]%	[...]	[0-5]%	
	IBS	[...]	[0-5]%	[...]	[0-5]%	
	Mercator	0	0.0%	0	0.0%	
	Radixx	[...]	[5-10]%	[...]	[0-5]%	
	SITA	[...]	[5-10]%	[...]	[0-5]%	
	Sabre	[...]	[10-20]%	[...]	[20-30]%	
	LCC	Travelsky	0	0.0%	0	0.0%
		Other	[...]	[20-30]%	[...]	[5-10]%
Unknown		[...]	[5-10]%	[...]	[0-5]%	
TOTAL		[...]	100%	[...]	100%	
Amadeus		[...]	[0-5]%	[...]	[0-5]%	
Navitaire		[...]	[10-20]%	[...]	[60-70]%	
Combined		[...]	[10-20]%	[...]	[60-70]%	
Bravo		[...]	[0-5]%	[...]	[0-5]%	
HP		0	0.0%	0	0.0%	
Hitit		[...]	[0-5]%	[...]	[0-5]%	
IBS		[...]	[0-5]%	[...]	[0-5]%	
Mercator		0	0.0%	0	0.0%	
Radixx		[...]	[0-5]%	[...]	[0-5]%	
SITA		[...]	[0-5]%	[...]	[0-5]%	
Sabre		[...]	[0-5]%	[...]	[0-5]%	
Travelsky		[...]	[0-5]%	[...]	[0-5]%	
Other		[...]	[30-40]%	[...]	[10-20]%	
Unknown	[...]	[30-40]%	[...]	[5-10]%		
TOTAL	[...]	100%	[...]	100%		

Source: The Parties response of 13 January 2016 to the Commission's RFI of 11 January 2016

5.1.2. Product differentiation

5.1.2.1. The view of the Parties

- (61) According to the Parties, Amadeus and Navitaire are not close competitors as they offer very different products which address very different customer requirements. With particular regard to the hybrid carrier segment, the Parties submit that the rather high market shares of Navitaire and Amadeus are misleading as the two cater to different kinds of customers. While Navitaire serves mainly simple, Amadeus targets mainly complex hybrids. Such distinction would therefore dilute the overlapping market shares of the Parties considerably.

- (62) Navitaire's PSS New Skies is a basic PSS. It offers a simple solution for airlines requiring more limited functionality. It is comparatively inexpensive and requires relatively low maintenance costs. It is, however, not well suited to the needs of FSCs as New Skies has more limited functionality with respect to code-sharing, interlining and e-ticket capabilities which are otherwise required by complex hybrid and FSCs. Consequently, it has never been sold to an FSC or a hybrid carrier which – at the time of the award of the contract – had functionality requirements closer to an FSC.
- (63) Amadeus's PSS Altéa is a complex PSS and has a rich functionality at significantly higher costs: it supports complex fare structures and itineraries, can handle multiple and complex codeshare and interline agreements with partner airlines and extensive frequent flyer programme requirements. It is therefore well suited for airlines which are members of a global airline alliance because Altéa connects well to other airlines' systems. However, Altéa is generally considered too sophisticated and too expensive for LCCs.
- (64) The differences between Altéa and New Skies may also be illustrated by the different price levels. Navitaire's PSS fees range between EUR [...] and EUR [...] per PB. By contrast, Amadeus' fee ranges between EUR [...] and EUR [...] per PB. Equally, the level of customisation of the two PSS solutions differs significantly depending on the complexity of the airline: the customisation and installation of Altéa ranges between several months and several years (e.g. in the case of [CONFIDENTIAL]); the equivalent time needed is significantly less in the case of Navitaire's New Skies.
- (65) In total, Amadeus has only a very limited number of LCC and hybrid customers which have functionality requirements closer to an LCC. In summary, [80-90]% of Amadeus' customers are FSCs and approx. [10-20]% are hybrid carriers closer to FSCs.
- (66) Amadeus' only LCC customer is [CONFIDENTIAL] and the only simple hybrid customers are [CONFIDENTIAL], [CONFIDENTIAL], [CONFIDENTIAL], and [CONFIDENTIAL]. These are exceptional cases according to the Parties: [CONFIDENTIAL], [CONFIDENTIAL] and [CONFIDENTIAL] only opted for Altéa because they are subsidiaries of Altéa FSC customers ([CONFIDENTIAL], [CONFIDENTIAL] and [CONFIDENTIAL] respectively) that require all of their brands to use a single PSS. [CONFIDENTIAL] chose Amadeus because of its good relationship with the provider and is in the process of transforming its business model from a charter airline to a more complex carrier. [CONFIDENTIAL] was meant to become the launch customer of Pioneer, a basic version of Amadeus' Altéa platform designed for LCCs, but this project was eventually abandoned. Consequently, [CONFIDENTIAL] was offered an Altéa contract in 2010 and it has since developed into a hybrid carrier which is closer to an FSC.
- (67) Conversely, almost all of Navitaire's customers are LCCs or hybrid carriers which have functionality requirements closer to LCCs. In summary, [50-60]% of Navitaire's customers are LCCs, while [40-50]% are simple hybrid carriers. Navitaire has only two hybrid customers with more complex requirements: [CONFIDENTIAL] and the [CONFIDENTIAL]. [CONFIDENTIAL] is a complex hybrid carrier, but started as an LCC/simple hybrid and has to date remained with Navitaire. Similarly, [CONFIDENTIAL] has awarded its PSS con-

tract to Navitaire at a time when it was a simple hybrid but is currently developing into a complex hybrid.

- (68) Furthermore, the Parties contend that there is a multitude of competitors which have developed PSS with different functionalities and different customer focus, as described in the following table.

Table 4: Main PSS competitors

Provider	PSS name	Main competitors for PSS		Description
		Market focus	Selected customers	
Bravo Passenger Solutions	Bravo (Avantik)	LCC	Air Calédonie, Aurigny Air Services, Edelweiss Air, InterSky, Peach Aviation, V Air	Acquired Mercator Asia.
Hewlett Packard	HP PSS (Shares)	FSC and hybrid	United Airlines, Flybe, [...]	Full-service PSS
HITIT Computer Services	Crane PAX	LCC	Nesma Airlines, Onur Air, Pegasus Airlines, [...]	HITIT's PSS also allows airlines to up-sell ancillaries and cross-sell complementary travel services.
IBS Software Services	iFlyRes	LCC and hybrid	Blue Panorama Airlines, [...], Starflyer, Sun Express, [...]	Designed specifically for the low cost/hybrid airline sector, iFly Res allows airlines to maintain a primary low-cost ticketless business model with direct sales/distribution, while simultaneously enabling IATA standard e-ticketing, supporting code-sharing, interlining and conventional GDS connected travel agency sales distribution
Mercator	Mercator (MARS)	FSC	Air Algerie, [...],[...],[...]	Fully integrated suite of PSS solutions including reservation management, airport management, internet booking engine, baggage services management and staff travel management.

Radixx Solutions International	Radixx Air Enterprise	LCC	Air Iceland, Air India Express, Air Transat, flyDubai, Go Air, Lyddair, Wow Air	[...]. It was chosen by flyDubai, the major hybrid carrier in the Middle East and sister carrier of Emirates with home base at Dubai.
Sabre Airlines Solutions	SabreSonic	Both LCCs and FSCs	Aeroflot, Aeromexico, Air Berlin, Air Malta, Air Serbia, Alitalia, American Airlines, Eastern Airways, Etihad, JetBlue, LATAM Airlines Group, Lion	[...] offers a pricing and cost structure which is more adaptable to some LCCs which seek increased functionality.
SITA	Horizon	All carriers	[...], Air India, Iran Air, Malaysia Airlines, S7, Smartwings	SITA's PSS covers the entire passenger management process, including reservations, ticketing, inventory management, check-in and departure control. Horizon is not focused on a single customer type and targets the full spectrum of carriers.
Travelsky Technology Limited	Travelsky	FSC and hybrid	Air China, China Eastern, China Southern, Hong Kong Airlines	Chinese state-owned technology company providing IT and computer reservation system services to travel service providers and travel agencies in China

Source: Form CO

- (69) Since there is hardly any overlap between Altéa and New Skies, and because there is a multitude of competitors in each market segment able to offer a PSS solution in competition to each of the Parties, the Parties claim that the Transaction does not lead to any competition problem with regard to the market for PSS.

5.1.2.2. Formal complaints

- (70) The Commission received two formal complaints. Both complainants claimed that the Transaction would remove one strong competitor from an already highly concentrated market and highlighted the Parties' very high combined market shares for airlines based in the EEA (above 80%). Furthermore, the complainants alleged that the Parties were already today competing in the hybrid segment, and since the hybrid segment is the segment with the highest growth in the

coming years, both would increase their efforts in this segment leading to even more competition between the two in that segment.

5.1.2.3. Results of the market investigation

- (71) In the Commission's market investigation, a clear majority of customers stated that Amadeus' Altéa PSS targets (in terms of functionalities, pricing, product positioning, etc.) a particular airline profile, while competitors disagreed with this statement.³³ When asked on which type of airline Amadeus' Altéa PSS focuses, a majority of customers and competitors alike indicated FSCs and complex hybrids rather than simple hybrids and LCCs.
- (72) With regard to Navitaire's New Skies PSS, a clear majority of both customers and competitors affirmed that Navitaire targeted a particular airline profile, namely LCCs and simple hybrids.³⁴
- (73) Notwithstanding these results, while customers are divided as to whether Amadeus and Navitaire directly compete against each other for the same type of customer, a majority of competitors consider that Amadeus and Navitaire directly compete against each other for the same type of customers.³⁵ As regards closeness of competition between Amadeus and Navitaire, both customers and competitors stated that Sabre was Amadeus' closest competitor.³⁶ Most customers, however, stated that Amadeus was also Navitaire's closest competitor.³⁷
- (74) As regards the existence of a sufficient number of credible PSS providers able to effectively constrain the Merged Entity post-Transaction the Commission market investigation has produced mixed results.³⁸ In an overall market for PSS (i.e. including all segments), both competitors and customers are equally divided in amongst those who consider that there would be enough credible PSS providers and those who do not agree. In a segmentation of the PSS market between FSCs, LCCs and hybrid carriers, the number of competitors who consider that there would remain sufficient credible PSS suppliers post-Transaction is slightly lower than the competitors who disagree. When it comes to customers, the market investigation has produced different results for each market segment. While the number of customers who consider that there would be enough credible PSS suppliers in the FSC segment post-transaction outweighs the number of those customers who disagree, a majority of customers consider that there would not be enough credible PSS providers in the LCC and hybrid segments post-transaction.

³³ Responses to questionnaire Q1 – Competitors, questions 24 and 24.2. Responses to questionnaire Q2 – Customers, questions 28 and 28.2.

³⁴ Responses to questionnaire Q1 – Competitors, questions 25 and 25.2. Responses to questionnaire Q2 – Customers, questions 29 and 29.2.

³⁵ Responses to questionnaire Q1 – Competitors, question 26. Responses to questionnaire Q2 – Customers, question 30.

³⁶ Responses to questionnaire Q1 – Competitors, question 20. Responses to questionnaire Q2 – Customers, question 22.

³⁷ Responses to questionnaire Q2 – Customers, question 23.

³⁸ Responses to questionnaire Q1 – Competitors, questions 34.1 to 34.6. Responses to questionnaire Q2 – Customers, questions 39.1 to 39.6.

5.1.2.4. Bidding data analysis

- (75) The product differentiation aspect of the PSS market can also be analysed through the data related to PSS tenders. Airlines often procure PSS systems through tenders involving a number of suppliers. These tenders may be formal or informal in nature. Sometimes airlines use tenders to get an overview of the market and do not necessarily intend to follow through with the tender procedure. The bids of PSS suppliers to these tenders constitute the bidding data. The Commission considered two sources of bidding data analysis: the Parties' submission and the Commission's market investigation.

The Parties' bidding data submission

- (76) To support their claim that Amadeus and Navitaire are indeed distant competitors even in the hybrid segment, the Parties have submitted a bidding data analysis.³⁹
- (77) The Parties have provided information on [...] PSS tenders in the period 2012–2015. Out of [...] tenders, there were only [...] "overlaps", that is, tenders where both Parties bid (formally and informally). Considering only instances where both Parties submitted a formal bid, the number of overlaps declines to [...] cases. In the [...] tenders where both Parties participated, Amadeus won [...], Navitaire won [...] and other competitors won [...]. The [...] remaining tenders are still ongoing. In most of the overlap tenders the Parties faced several competitors.
- (78) The data covered [...] FSC tenders, out of which [...] saw Amadeus' participation, and only [...] Navitaire's. Amadeus gave a formal bid in [...] FSC tenders, while Navitaire in [...]. In contrast, out of the [...] LCC tenders, Amadeus participated only in [...] while Navitaire in [...]. Amadeus gave a formal bid in [...] LCC tenders, while Navitaire in [...]. In the [...] simple hybrid tenders Amadeus participated in [...] occasions (with [...] formal bids), while Navitaire participated in [...] of these tenders (with [...] formal bids). In the [...] complex hybrid tenders Amadeus participated in [...] occasions with [...] formal bids, while Navitaire participated in [...] of these tenders but only with [...] formal bids.
- (79) Furthermore, the Parties are aware of only [...] occasions out of [...] where it is possible that no other PSS provider participated ([CONFIDENTIAL], [CONFIDENTIAL], [CONFIDENTIAL], [CONFIDENTIAL], [CONFIDENTIAL]). [...] of these tenders ([CONFIDENTIAL] and [CONFIDENTIAL]) are still ongoing or pending in an initial stage. [...] of the other tenders were won by the incumbent provider ([CONFIDENTIAL] and [CONFIDENTIAL]). However, for the remainder Amadeus and Navitaire do not appear to be close competitors, for the following reasons: (i) [CONFIDENTIAL] being an hybrid complex and a FSC respectively⁴⁰, Navitaire was eliminated early on in the process due to lack of functionalities; and (ii) [CONFIDENTIAL] is a start-up airline that used Altea only as an interim solution because it was the system used by [CONFIDENTIAL]

³⁹ Form CO, pages 62-68 and 87-94.

⁴⁰ Annex 6.12 to the Form CO.

TIAL], its parent company. However, Altéa was not finally selected as the long-term PSS provider as it did not meet [CONFIDENTIAL]/ [CONFIDENTIAL]. As regards [CONFIDENTIAL] and [CONFIDENTIAL], the Parties have been considered for different airline business models.

- (80) In the light of the above, the Commission considers that the bidding analysis provided by the Parties would support that Amadeus has a very limited participation in the LCC segment, and Navitaire in the FSC segment. Furthermore, Navitaire did not win any tenders from Amadeus (when the latter was the incumbent), and Amadeus won only one tender from an incumbent Navitaire (this was a tender of a complex hybrid carrier previously with different PSSs across its subsidiaries and wanting to have a unified solution which Navitaire technically was unable to provide).

The bidding data collected during the market investigation

- (81) In addition to the bidding data analysis submitted by the Parties, the Commission also gathered information, during the market investigation, on recent tenders in the PSS market. In particular, tender data from carriers with EEA operations was requested.^{41,42} The market investigation identified 13 completed tender events for the period 2009-2015.⁴³ By carrier types, these tenders covered the FSC (4 tenders), complex hybrid (4 tenders) and hybrid/simple hybrid segments (5 tenders). Amadeus participated in 10 of these 13 tenders (4 FSC, 4 complex hybrids, 2 hybrid/simple hybrids). Navitaire participated in 7 of the 13 tenders (2 FSC, 2 complex hybrids, 3 hybrid/simple hybrids).
- (82) There were five tenders where both Amadeus and Navitaire were present (2 FSC, 2 complex hybrids and one simple hybrid). Three of these "overlap" tenders were won by Amadeus (one in each of the FSC, complex hybrid and simple hybrid tenders). None of them was won by Navitaire. Navitaire was a runner-up, that is, a bidder classified as the second best by the carrier, in only one, complex hybrid tender, but this tender was not won by Amadeus.⁴⁴ It should be noted that even though Navitaire participated in two FSC tenders, there is an indication that Navitaire is not an effective competitor in this segment. In one of these FSC tenders the carrier actually changed business model to FSC and reconsidered its previous supplier Navitaire (see discussion in following paragraph). In the other FSC tender Navitaire participated in, the carrier invited as many as seven PSS suppliers to bid. Nor were Navitaire or Amadeus the winner or the runner-up of the tender. In addition, the carrier has explained that, to the best of its knowledge, Navitaire's New Skies is "not sufficiently functionally complete to support FSCs without partnerships with other suppliers."⁴⁵
- (83) Amadeus won 8 of the 10 tenders it participated in (3 FSCs, 3 complex hybrid, 1 simple hybrid). Navitaire won 2 of the 7 tenders it participated in (both simple

⁴¹ Responses to questionnaire Q2 – Customers, question 5.

⁴² Out of 67 carriers contacted, 31 replied.

⁴³ This figure does not include two ongoing/deferred tenders.

⁴⁴ There were actually two runner-ups identified by the carrier. The other was not Amadeus.

⁴⁵ One customer's response to questionnaire Q2 – Customers, question 29.1.

hybrids). There is only one tender where one of the merging firms won a tender from the incumbent other: Amadeus won a tender from the incumbent Navitaire. This was a case where the carrier changed its business model to FSC from a hybrid type, and this led it to reconsider its PSS supplier.⁴⁶ This is further confirmed by the fact that this particular carrier does not consider Amadeus and Navitaire directly competing against each other for the same type of customers,⁴⁷ as the two firms target different customer profiles (Amadeus FSCs and complex hybrids,⁴⁸ while Navitaire LCCs and simple hybrids⁴⁹). Further, Navitaire did not win any business from Amadeus.

- (84) There is only one tender event (a complex hybrid) where only the Parties received a Request for Information from the carrier. In this tender, only Amadeus received a Request for Proposal, and it eventually won the tender. In other tenders, there are typically more competitors (typically more than three).

5.1.2.5. The Commission's assessment

- (85) In the light of the results of the market investigation, the Commission considers that the Parties are distant competitors and focus, for the time being, on different customer segments within the PSS market for the following reasons.

- (86) First, it has emerged rather clearly from the Commission's market investigation that Amadeus' Altéa PSS and Navitaire's New Skies PSS focus on very different customer profiles and thus offer vastly divergent functionalities. While it is true that Amadeus' PSS could potentially be used by any airline, including LCCs with their much more limited complexity requirements, Amadeus' significantly higher price point makes it an unlikely choice for LCCs and simple hybrid carriers. This is confirmed by the fact that Amadeus has barely any LCC customers. FSC and complex hybrid customers, on the other hand, do not consider Navitaire's PSS as suitable to provide the functionalities commonly required by such airlines. Again, Navitaire's customer portfolio confirms this assessment given that FSCs and complex hybrids are all but absent from it.

- (87) Second, the analysis of recent airline PSS tenders shows that Amadeus and Navitaire meet each other only on rare occasions and usually face competition from other competitors. The Parties have demonstrated that they have won only an insignificant number of clients from each other and that airlines usually do not consider them to be each other's closest substitutes. This is consistent with the market investigation's results on tenders. The number of tenders in which Amadeus and Navitaire do not meet is much higher than the number of tenders in which they do meet. Also, they seem to have different profiles as Amadeus has a stronger focus on and winning probability in the FSC segment than Navitaire. Navitaire is not a winner or runner-up of FSC tenders. Rather, it has a stronger relative focus on the Hybrid/Simple-Hybrid segment than Amadeus.

⁴⁶ One customer's response to questionnaire Q2 – Customers, question 5.

⁴⁷ One customer's response to questionnaire Q2 – Customers, question 30.

⁴⁸ One customer's response to questionnaire Q2 – Customers, question 28.2.

⁴⁹ One customer's response to questionnaire Q2 – Customers, question 29.2.

(88) Third, against the background of the available bidding data the opinion voiced by a majority of queried market participants that Navitaire's closest competitor might be Amadeus and compete for the same type of customers does not seem plausible. While there may be some limited overlap of potential customers of Amadeus and Navitaire in the hybrid segment, the Parties still appear to be active mostly at opposite ends of the market with Amadeus focusing mainly on FSCs and Navitaire focusing on LCCs. This different focus of the Parties found confirmation in the responses of the market investigation.

5.1.2.6. Conclusion

(89) In the light of the above reasoning and all the available evidence, the Commission considers that Amadeus and Navitaire are currently distant competitors focusing on different customer profiles.

5.1.3. Buyer power

5.1.3.1. The Parties' view

(90) The Parties submit that PSS providers generally serve airline customers with significant buyer power who are able to leverage the dynamics of multi-stage bidding procedures in order to play suppliers off against each other. In addition, the Parties argue that many of the airline customers are part of large groups (e.g., Lufthansa group, IAG, or Air France–KLM) which further increases their buyer power.

5.1.3.2. The market investigation

(91) In the Commission's market investigation, a clear majority of competitors claimed to already have lost a PSS contract against another PSS provider, while being the incumbent, at least once.⁵⁰

(92) A large majority of customers responding to the Commission's market investigation never reverted or stuck to an in-house solution as a result of a PSS contract tender;⁵¹ a majority of competitors however stated to be aware of some airlines (e.g. Aer Lingus) which as a result of a tender stuck to their in-house solutions.⁵² In the same vein, a clear majority of customers stated that they would not consider developing and implementing their own in-house PSS solution or sponsoring the entrance of a new supplier of PSS solutions if the prices for the provision of PSS solutions increased between 5% and 10% on a permanent basis.⁵³

(93) A large majority of customers stated that they procured PSS solutions through tenders with formal bids while some resort to direct negotiations;⁵⁴ this was largely confirmed by competitors.⁵⁵ A majority of customers stated that they

⁵⁰ Responses to questionnaire Q1 – Competitors, question 30.

⁵¹ Responses to questionnaire Q2 – Customers, question 35.

⁵² Responses to questionnaire Q1 – Competitors, question 31.

⁵³ Responses to questionnaire Q2 – Customers, questions 36 and 37.

⁵⁴ Responses to questionnaire Q2 – Customers, question 19.

⁵⁵ Responses to questionnaire Q1 – Competitors, question 16.

concluded PSS contracts for a duration of 10 or more years;⁵⁶ competitors tended towards a shorter period of about 5 years.⁵⁷

5.1.3.3. The Commission's assessment

- (94) The Commission considers that airlines wield significant buyer power when selecting their PSS provider for the following reasons.
- (95) First, airlines usually select their PSS suppliers following formal tender procedures. PSS suppliers are subject to a high degree of scrutiny from airlines to establish whether they meet the airlines' PSS requirements or not. Airlines also often re-tender PSS contracts to obtain a better overview of available options from PSS suppliers, but may elect to remain with their incumbent PSS supplier. This may offer airlines the opportunity to re-negotiate existing contracts and obtain better deals.
- (96) Second, the market investigation has confirmed that in spite of the relatively long duration of PSS contracts, some degree of switching does take place in the PSS market despite high switching costs (see section 5.1.4 below). While it is true that PSS contracts are often prolonged, the bidding data submitted by the Parties shows that the ratio of switches from one PSS supplier to another might lie at least around one third of all tendered PSS contracts.⁵⁸ Switching therefore appears as some threat to PSS providers that airlines can use to obtain better deals.
- (97) Third, many airlines are indeed large multinational corporations that dispose over significant funds and market power while the Parties' businesses are small by comparison. It is likely that airlines could leverage their market power to discipline the Merged Entity post-Transaction. Even more so as there is only a minimal overlap between the different categories of airline customers in the Parties' portfolio.

5.1.3.4. Conclusion

- (98) In the light of the above and all the available evidence, the Commission considers that airlines use their buyer power and the threat of switching to alternative PSS providers to exert competitive pressure on PSS providers.

5.1.4. *Barriers to entry and expansion*

5.1.4.1. The Parties' view

- (99) According to the Parties, the launch of a PSS solution requires significant investment, although the level of investment differs between a basic PSS and a full-service PSS. A provider needs to be recognised as a credible supplier, and needs to have the technical knowhow before airlines will consider it for bids.

⁵⁶ Responses to questionnaire Q2 – Customers, question 20.

⁵⁷ Responses to questionnaire Q1 – Competitors, question 17.

⁵⁸ Form CO, Annexes 6.9 and 6.12.

- (100) It is difficult to estimate the exact amount of investment necessary for the launch of a PSS solution as this depends on various factors, such as the software architecture used (open system vs legacy framework) or labour costs which can be significantly different from one region to another.
- (101) By way of background, however, the Parties estimate that building a PSS solution focused on LCCs (like New Skies) would require an investment of several thousand man years. Although it is difficult to provide the corresponding investment cost (in EUR), Amadeus roughly estimates that this would probably amount to EUR [50-100] million. Conversely, the Parties estimate that the development of a PSS solution focused on FSCs (like Altéa) would cost at least EUR [125-250] million and would take many years.
- (102) Irrespective of the investment required to launch a PSS solution, the Parties submit that market entry does exist. Indeed, Delta (Deltamatic) and Bravo (acquired Mercator Asia/Avantik) entered the market for PSS in the past five years. Further, Emirates has chosen an in-house approach and, if successful, even if they do not sell their solution to other airlines, are likely to encourage any airline they acquire to migrate to their internal solution.

5.1.4.2. The market investigation

- (103) In the Commission's market investigation, a majority of competitors stated that in the last ten years new PSS providers have entered the market, while customers did not notice new entry to the same degree as competitors.⁵⁹ Examples of competitors which entered were WorldTicket, Bravo Passenger Services, Proavos, Air41, ITA (acquired by Google and exited shortly afterwards), and IBS. Some customers and competitors designated IBS as the most significant new competitor. Moreover, Delta Airlines with its own in-house solution now deployed on Virgin Atlantic was mentioned, which however does not sell its PSS solution on the market but only intra-group.
- (104) A majority of customers expect no additional entry to take place in the coming five years.⁶⁰ The main reason stated for the lack of entry was high development costs.
- (105) Customers and competitors were also asked about how long it would take to install a new PSS from a new provider and what the costs involved would be.⁶¹ Answers varied greatly for the different airline categories and also by respondent and groups of respondents (with competitors indicating much lower numbers than customers).
- a. For LCCs and simple hybrids respondents stated that installation of a new PSS service would take between less than 1 year to 2 years (with some customers going up to 5 years) and cost could vary between less than

⁵⁹ Responses to questionnaire Q1 – Competitors, question 27. Responses to questionnaire Q2 – Customers, question 31.

⁶⁰ Responses to questionnaire Q2 – Customers, question 32.

⁶¹ Responses to questionnaire Q1 – Competitors, question 29. Responses to questionnaire Q2 – Customers, question 33.

EUR 1 million and EUR 100 million to install a new PSS (most respondents opting for sums lower than EUR 10 million).

- b. For complex hybrids and FSCs respondents stated that such installation would take between 2 and 5 years (with most respondents giving figures between 2 and 3 years) and cost could vary between less than EUR 10 million and EUR 100 million to install a new PSS (most respondents opting for sums below EUR 20 million for complex hybrids and below EUR 50 million for FSCs).

- (106) The vast majority of customers responding to the Commission's query has not tried to develop their own in-house solutions in the past ten years.⁶²
- (107) Competitors, on the other hand, stated that they had upgraded or downgraded their PSS solution in the last 10 years (e.g. to appeal to a broader range of customers).⁶³

5.1.4.3. The Commission's assessment

- (108) The Commission considers that the market for PSS solutions is characterised by relatively high barriers to entry for the following reasons.
- (109) First, the development of new PSS solutions is expensive and has led to a significant degree of failure in the past. The example in kind is ITA. Originally founded out of a leading university in Boston and taken over by Google in 2011, it had started with a PSS solution with its launch customer Cape Air. In spite of being backed by Google, which, according to various market participants, invested a considerable amount of money, ITA withdrew in 2013 from the PSS market. The Parties themselves estimate the costs of a new PSS solution to amount to EUR [50-100] to EUR [125-250] million for competitors that could rival the Parties' own products.
- (110) Second, costs associated with switching are significant and rise with the degree of complexity an airline faces. This entails that especially FSCs face considerable costs when implementing a PSS solution with costs reaching several tens of millions and implementation durations of several years (see section 5.1.4.2 above). Therefore, airlines are reluctant to change their PSS unless the advantages of doing so outweigh the costs. This may likewise explain the relatively low switching ratio in the PSS market (see section 5.1.3.3 above) and makes entry and expansion for PSS providers more difficult.
- (111) Third, while there has been entry of new PSS providers in the past ten years, there has not been an entrant that has quickly risen to level maintained by the main incumbents in the market, such as the Parties. However, the fact there has been entry also shows that there is a challenge to the market positions of the incumbents. The example of Delta, which developed an in-house PSS now being implemented at Virgin Atlantic, shows that it is possible to develop alternatives to the incumbents that meet the demands of large FSCs, even if Delta does not market its PSS solution to third party carriers.

⁶² Responses to questionnaire Q2 – Customers, question 34.

⁶³ Responses to questionnaire Q1 – Competitors, question 28.

Conclusion

- (112) In the light of the above and all the available evidence, the Commission concludes that the market for PSS solutions is characterised by relatively high barriers to entry and expansion.

5.1.5. Potential competition

- (113) Given the current tendency in the airline sector to converge towards the hybrid model, the main growth opportunities for PSS providers come from airlines moving from the traditional FSC or LCC's business model towards the hybrid segment.

- (114) This move towards the hybrid sector has been acknowledged by the specialised consultant T2RL, which saw "*Amadeus' growth as coming from smaller to medium size carriers*", and stating that "*in order to be successful, Amadeus would have to reduce the complexity associated with their implementation and deployment, find a way to commercialise a complex set of solutions and make them easy to buy for simpler customers*". With regard to Navitaire, T2RL also stated in its report that "*Navitaire's primary challenge was to grow their customer base and to make the product more suitable for those carriers that will adopt a hybrid business model*".⁶⁴

- (115) Given that this move towards hybrid may lead to increased competition between the Parties, the Commission analyses in this Section whether the Transaction will lead to the removal of significant potential competition, with a focus on the hybrid segment.

5.1.5.1. The Parties' view

- (116) According to the Parties, there is no reasonable prospect of the Parties' becoming close competitors due to a repositioning of their products which would enable the Parties to more effectively address the needs of the customers the other Party's solution targets (in particular with regard to the hybrid segment).

- (117) This is due to the fact that Amadeus cannot easily downgrade its Altéa suite to appeal to less complex customers and Navitaire cannot easily upgrade its platform to appeal to more complex customers.

a. *Amadeus' attempts to make Altéa more attractive to less complex hybrid carriers*

- (118) As opposed to other PSS providers (notably Navitaire, Sabre, SITA, IBS, and Radixx which use a partition model), Amadeus uses a community platform model as the basis for its Altéa PSS.⁶⁵ The community platform model is more

⁶⁴ T2RL, "The Market for Airline Passenger Services Systems – V1.0 of 25 July 2015", submitted as Annex 5.5.39, pages 10 and 13.

⁶⁵ A community platform implies that there is one computer source code base and a single underlying hardware and software that all airlines share. In a partition model, on the other hand, a copy of the PSS software is created for each airline customer. Once the copy has been created, it is customised and installed on the customer's hardware (basically resulting in modified PSSs for each customer).

complex and more expensive than the partition model and thus less well suited to airlines that demand less complexity.

- (119) Moreover, one of the most important differences in the needs of FSCs and LCCs is the ticketless functionality which is the core (simplified) business process in a basic PSS. In essence, a ticketless system is an integrated method of managing passenger reservations which is typically executed using a single source of information for booking, payments, check-in, boarding, and revenue accounting functions. The ticketless setup results in lower operational costs and a lower price for the PSS solution to the benefit of the carriers.
- (120) Addressing the requirements of both LCCs/simple hybrid carriers and FSCs on the basis of Altéa would mean a substantial reprogramming (*via* introduction of new functionalities and exceptions regarding other functionalities which are not needed). As a result, there would be virtually two different PSS versions running on the same underlying hardware and software (platform). Under a community platform model, however, this would be technically very difficult and expensive, leading to even higher customization and adaptation costs.
- (121) Nearly 10 years ago, Amadeus attempted to design a basic version of its Altéa platform. This basic version was branded "Pioneer" and was intended to address the requirements of LCCs. However, this development effort turned out to be [CONFIDENTIAL] and eventually failed due to [CONFIDENTIAL] for the target customer ([CONFIDENTIAL])⁶⁶.
- (122) In [CONFIDENTIAL], Amadeus launched, as part of a review of alternatives to a Navitaire acquisition, a high level study to build on the Altéa platform (this alternative was referred to as "Plan B1"). The objective was to study whether a solution that would serve LCCs (with a different brand from the Altéa brand) could viably be designed.
- (123) The Parties contend that the study did not involve a comprehensive assessment that would have resulted in a written document (such as a final report or a substantiated and documented investment proposal). Rather, it was a blue sky thinking type of study where several teams within Amadeus were asked for some initial and high-level thoughts on how Amadeus could hypothetically expand into the LCC space of the PSS market.
- (124) The study concluded that, although Amadeus' expansion into the LCC space was technically feasible, it would require [CONFIDENTIAL]. It was assumed that creating a proper LCC solution, which would be strongly differentiated from the existing Altéa solution, would require the [CONFIDENTIAL]. However, the Parties contend that this could not be considered to be a realistic option because it would have meant [CONFIDENTIAL], which would result in very limited or

⁶⁶ In [CONFIDENTIAL] selected Amadeus' Pioneer suite as PSS system. However, Pioneer did not live up to [CONFIDENTIAL]'s expectations and in [CONFIDENTIAL], when the initial 5-year period had run out, [CONFIDENTIAL] launched a request for proposals for a new PSS system. As regards Pioneer, [CONFIDENTIAL] stated that "*the Pioneer software suite did not live up to [CONFIDENTIAL]'s expectations. There was in particular a lack of automatization functions which resulted in the creation of too many manual input requirements*". See agreed non confidential minutes of conference call of 13 November 2015 with [CONFIDENTIAL].

no synergies with Altéa, high upfront investments and cost increases with regard to maintenance and quality control.

- (125) Another option that could be envisaged was one that would be based on the Altéa architecture. In this scenario, [CONFIDENTIAL]. However, according to the Parties, this would not allow LCCs to get a solution adapted to their needs, but in fact an overly complex solution which, [CONFIDENTIAL].
- (126) In conclusion, the Parties submit that, although the result of the study was that the expansion was technically feasible, it would in any case require significant structural and organisational changes with associated risks and the core functionality would remain unchanged and would not include ticketless functionality.
- (127) Moreover, according to the Parties, the [INTERNAL DOCUMENTS] there was no sufficient prospect that Amadeus would be able to gain any significant traction in the LCC/simple hybrid segment based on a simplified Altéa solution, and that even the "best case" market share growth envisaged would be unrealistic. Therefore, the recommendation to the board was the acquisition of Navitaire.

b. Navitaire's attempts to make New Skies more attractive to more complex hybrids carriers

- (128) Contrary to Amadeus' Altéa, Navitaire's New Skies is a PSS designed to sidestep the complexity of the traditional airline sales model. It supports a direct interface between the airline and its passengers and a simplified fare basis calculation, with the passenger selecting and paying for the flight directly with the airline. It accommodates a restricted range of fares that can be directly uploaded by the airline and easily adjusted. It was designed with limited industry standard coding and messaging and without the need for a ticket with its associated number, because the transaction between the airline and the passenger takes place without intermediaries and the airline is typically not relying on partnerships with other carriers to serve the customer.
- (129) Navitaire has sought to adapt New Skies to more complex needs. For example, it has built more fare options into the system. However, with a ticketless system, New Skies cannot itself offer functionality to enable indirect sales, interlining and code-sharing, and Navitaire has therefore had to enter into an arrangement with a third party – Travelport – which provides e-tickets to Navitaire's customers (the customers contract directly with Travelport for this). In addition to limited fare category support, New Skies only provides the basic level of itinerary pricing fare selection as only simple one way and round trip pricing exists. By contrast, complex concepts such as stopovers, circle trips, and maximum permitted mileage calculations are features that only systems such as Travelport, Sabre, and Amadeus are able to support. Nor was New Skies built to support complex networks of interlining and code-sharing (which again require specific coding and messaging types). Navitaire currently estimates that it would have to at least double its current "passengers boarded" rates for more complex itineraries.
- (130) The most significant recent challenge for New Skies arose in relation to its long-standing Brazilian customer GOL (which was a start-up when Navitaire was first engaged by it) which is now seeking to expand its interlining and code-sharing,

- (131) Navitaire was not in a position to meet the extended requirements of [CONFIDENTIAL] and, in particular motivated by the need to retain [CONFIDENTIAL], developed an initiative to respond to evolving requirements of certain LCCs. This project was dubbed "Project Dandelion". Project Dandelion involved an R&D spend [CONFIDENTIAL], so in that sense was intended to go beyond Navitaire's efforts to date to address changing customer needs.
- (132) Project Dandelion faces certain impediments to completion and realization. A number of the technical development projects are far from being completed and would depend on Accenture, Navitaire's parent company, approving the necessary funding on an annual basis. At present, uncertainty remains as to the year in which such funding could be approved.
- (133) Navitaire estimated full Project Dandelion development would cost in total around [CONFIDENTIAL] (including [CONFIDENTIAL] that Navitaire would typically invest, regardless of Project Dandelion, to maintain the products; absent this baseline of [CONFIDENTIAL] per year, Project Dandelion's cost is projected to be [CONFIDENTIAL]). Amadeus' annual, ordinary course R&D budget is approx. [CONFIDENTIAL].
- (134) In light of the above, the Parties consider that, New Skies will continue to remain unsuitable for airlines requiring some or all of the following functionalities: significant participation in GDS and support across the range of GDS messaging (typically New Skies customers sell up to around [10-20]% of their tickets over GDSs); large numbers of codeshare and interline agreements; integrated e-ticketing; very complex fares and pricing; complex loyalty systems, for example incorporating credit cards; and alliance functionality.

5.1.5.2. Complaints

- (135) The complainants allege that Navitaire has successfully moved from supplying low cost airlines to becoming a supplier to hybrid airlines.
- (136) This means that it is a credible alternative PSS provider for many airlines, including all but the most sophisticated hybrid airlines or FSCs. It has successfully brought its clients the ability to offer pre-selected seating, GDS distribution and even to interline whether through the use of a third party electronic ticketing (supplied by Travelport) or its module that supports interlining and connecting flights between its hosted airlines (Navitaire Advantage Interline and Codeshare). Navitaire would therefore become a credible provider for even mid-sized full service (network) airlines in the short to medium-term.
- (137) However, according to the complaint, following the Transaction, Amadeus would have every incentive to stop Navitaire from continuing the development of these new functionalities for its PSS and therefore eliminate a potential competitor for such customer profile.
- (138) One complainant raised another issue about potential competition pertaining to IATA's "One Order" project.

- (139) One Order is IATA's proposed extension of New Distribution Capabilities ("NDC")⁶⁷. It is intended to create a single customer order record that holds all data elements required to fulfil a booking (i.e. customer data, order items, payment and billing information, fulfilment data and status).
- (140) According to the complainant, the One Order project would have the potential of eliminating the need for an airline to issue a ticket, without compromising the possibility to interline and codeshare. That means that LCCs could also start interlining without major investments in their PSS system.
- (141) Together with NDC, the One Order may possibly lead to further convergence towards the middle between the business model of FSCs and LCCs, since it may contribute to the harmonisation of the distribution and reservation systems of airlines. This might also have an effect on the main differences between PSS product offerings for more complex and less complex carriers.
- (142) Should the "One Order" project become a success, Amadeus and Navitaire might therefore be increasingly competing in the hybrid space in the coming years and this should be taken into account in the competitive assessment of the Transaction. According to optimistic estimates of the complainant, if everything goes according to plan, the very first airlines would adopt the standard by 2018.

5.1.5.3. Internal documents review

- (143) The Commission has reviewed internal documents of Amadeus and Navitaire dealing with their respective plans to extend the reach of their PSS solutions. In the light of this review, the Commission considers that Navitaire's intention to make its PSS more suitable to more complex airlines has been limited in scope and that [...]. Amadeus, on the other hand, has abandoned its own project of re-writing its PSS to appeal to simple hybrids and LCCs.
- (144) Furthermore, although the review of Navitaire's internal documents reveals an initiative to respond to the evolving requirements of LCCs – Project Dandelion⁶⁸ –, the Commission considers that Project Dandelion was not intended to change the core New Skies model of direct distribution, but instead relying on a partnership with a third party capable of providing electronic ticketing (such as [CONFIDENTIAL]).⁶⁹ Moreover, Navitaire's internal documents also reveal uncertainties related to the necessary R&D funding.⁷⁰

⁶⁷ NDC is defined in Section 5.2.2 below.

⁶⁸ This is indicated by the following documents: in the April 2014 Governance Board Paper, on slide 9, Accenture/Navitaire was considering three options: Option 1: running the New Skies business as is, with no upgrades; Option 2: a limited investment of circa [CONFIDENTIAL] per annum over three years in R&D (MD&I = market development and initiatives); or Option 3: a joint venture or partnership with another provider (such as Amadeus). The June 2014 Governance Board Paper (Annex 5.5.45) reflects the decision taken in May 2014 by the Operational Group to proceed with Option 2, with an overall capex of [CONFIDENTIAL] over three years.

⁶⁹ The [INTERNAL DOCUMENT] business plan presents a roadmap of the markets Navitaire intends to target in FY15 until FY18. As of [CONFIDENTIAL] Complex hybrid are mentioned. In [CONFIDENTIAL] in addition to complex hybrid, also minor FSCs are mentioned. Navitaire's business plan also says that "*priority 1 for Navitaire to grow into complex-hybrid is: keep [CON-*

- (145) The planned improvements to the functionality of New Skies are in a very early stage. Moreover, the target date to launch a pilot project in an existing airline ([CONFIDENTIAL]) has slipped at least until [CONFIDENTIAL].⁷¹ It therefore appears unlikely that Project Dandelion would turn New Skies into a PSS suitable for the more complex airline requirements.
- (146) With regard to past attempts by Amadeus to develop a basic version of Altéa more attractive to simpler hybrid airlines, a review of Amadeus' internal documents supports the Parties' submissions as regards the difficulties associated with Altéa's software architecture.⁷² The internal documents show that Amadeus finally opted for acquiring Navitaire in order to gain access to the simple hybrid/LCC market. [INTERNAL DOCUMENT] outlines Amadeus' considerations with regard to the takeover of Navitaire:

Figure 1: Annex 5.5.31 "Amadeus – Navitaire comparison" board presentation of 8 July 2015, slide 2

FIDENTIAL] and build out the product to meet market needs – Navitaire believe they can do this with a point solution partner like [CONFIDENTIAL]".

⁷⁰ The [INTERNAL DOCUMENT] records at [CONFIDENTIAL] that there is approved funding of [CONFIDENTIAL] for the Project for 2015.

⁷¹ The [INTERNAL DOCUMENT] states at [CONFIDENTIAL]: Navitaire is contemplating moving certain Change Requests ("CRs") (i.e. specific changes to New Skies) from [CONFIDENTIAL], indicating delays in implementation. The [CONFIDENTIAL] also indicate that Navitaire is experiencing challenges as to [CONFIDENTIAL] to carry out aspects of the Project; and they list for the first time a number of issues and risks with the Project ([CONFIDENTIAL]). The [INTERNAL DOCUMENTS] states at [CONFIDENTIAL]: the [CONFIDENTIAL]. Having had discussions with [CONFIDENTIAL], the same slide refers to [CONFIDENTIAL] that need to be considered. The [INTERNAL DOCUMENT] indicates that Navitaire is at risk of missing the timetable for implementation of [CONFIDENTIAL] due to design decisions needed on several Change Requests which are taking longer than anticipated, as well as delays in selecting the third party vendor. [INTERNAL DOCUMENT] show how many of the status updates – including the Overall Project status update – have moved from green to yellow ([CONFIDENTIAL]). [INTERNAL DOCUMENT] identifies the addressable market for the Dandelion initiative – a list of [CONFIDENTIAL] airlines. The [INTERNAL DOCUMENT] records further possible time slippage for the [CONFIDENTIAL] release ([INTERNAL DOCUMENT]) and indicates the need for a second trial customer after [CONFIDENTIAL] ([INTERNAL DOCUMENT]), with possible impacts on timing for release to [CONFIDENTIAL] ([INTERNAL DOCUMENT]). [INTERNAL DOCUMENT] addresses the target rate for onboarding of complex hybrid customers as [CONFIDENTIAL] per year from [CONFIDENTIAL]. A key risk identified is whether the MD&I funding would remain in place from Accenture.

⁷² [INTERNAL DOCUMENT]: the document outlines a strategy for the development of Amadeus' own LCC PSS solution. It recommended that this PSS should be based on "[CONFIDENTIAL]" ([INTERNAL DOCUMENT]), that is based on the existing Altéa architecture: "[CONFIDENTIAL] upfront investment and better time to market; Enabling a reduced LCC organisation to operate LCC specificities (100 pers)". The plan envisaged [CONFIDENTIAL] of "upfront investment to build an LCC offer leveraging Altéa" (slide 2) under a new brand. The document contends that "Market share will grow slowly" and that "It is agreed that hybrid complex will be targeted with [CONFIDENTIAL]". Market share opportunities were estimated to amount to [CONFIDENTIAL]% in 2020 and to [CONFIDENTIAL]% in 2025 (slide 5).

Amadeus – Navitaire high level comparison

- Amadeus and Navitaire systems are serving different sub-market with very limited overlap.
 - [BUSINESS SECRET]
 - [BUSINESS SECRET]

- Acquisition is intended to
 - [BUSINESS SECRET]
 - [BUSINESS SECRET]
 - [BUSINESS SECRET]
 - [BUSINESS SECRET]
 - [BUSINESS SECRET]

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5.1.5.4. The Commission's assessment

- (147) According to the Commission's Horizontal Merger Guidelines,⁷³ concentrations where an undertaking already active on a relevant market merges with a potential competitor in this market can have similar anti-competitive effects to mergers between two undertakings already active on the same relevant market and, thus, significantly impede effective competition, in particular through the creation or the strengthening of a dominant position.
- (148) A merger with a potential competitor can generate horizontal anti-competitive effects, whether coordinated or non-coordinated, if the potential competitor significantly constrains the behaviour of the firms active in the market. This is the case if the potential competitor possesses assets that could easily be used to enter the market without incurring significant sunk costs. Anti-competitive effects may also occur where the merging partner is very likely to incur the necessary sunk costs to enter the market in a relatively short period of time after which this company would constrain the behaviour of the firms currently active in the market.
- (149) For a merger with a potential competitor to have significant anti-competitive effects, two basic conditions must be fulfilled. First, the potential competitor must already exert a significant constraining influence or there must be a significant likelihood that it would grow into an effective competitive force. Evidence that a potential competitor has plans to enter a market in a significant way could help the Commission to reach such a conclusion. Second, there must not be a

⁷³ Horizontal Merger Guidelines, paragraph 58.

sufficient number of other potential competitors, which could maintain sufficient competitive pressure after the merger.

- (150) In the case at hand, these conditions are not fulfilled for the following reasons.
- (151) As concerns the first criterion of the Horizontal Merger Guidelines' rules on merger with potential competitors, the Commission's market investigation has thus far clearly shown that Navitaire has in the past not exerted a significant constraining influence on Amadeus. This is due to the fact that Amadeus and Navitaire have served very different customer profiles and have rarely met in tenders. Their PSS software products address different needs of varying complexity and approach the range of potentially interested airlines from two opposite ends.
- (152) For the future, however, market participants have alleged that Amadeus and Navitaire would increasingly compete for the same customers, mainly in the hybrid segment. In the Commission's market investigation,⁷⁴ majorities of customers and competitors said that, in their view, absent the Transaction, Amadeus would increasingly target carriers in the hybrid segment competing with Navitaire. Conversely, Navitaire would increasingly target carriers in the hybrid segment in addition to LCCs, thus competing with Amadeus. Competitors stated further that Amadeus would also compete for LCC customers. This has also been reiterated by the complainants in this case while the Parties have strongly opposed this claim.
- (153) The Commission considers that it is very speculative to argue that Amadeus and Navitaire would in the next 2 to 3 years have become significantly closer competitors to each other.
- (154) While it is factually correct that both Amadeus and Navitaire have attempted to make their PSS systems more appealing to a broader range of customers, the Commission's review of the Parties' internal documents has demonstrated that both Parties have run into large difficulties in doing so.
- (155) Amadeus has not succeeded in down-stripping its complex PSS to serve less complex airlines. Amadeus' customer portfolio in which LCCs and simple hybrids remain the rare exception has remained largely unchanged ever since it abandoned its "Pioneer" programme in 2009. While its acquisition of SouthWest Airlines was initially cited by one complainant as a sign that Amadeus had extended its reach to incorporate LCCs within its customer base, SouthWest Airlines has also been described by Amadeus' internal documents⁷⁵ as well as by one PSS competitor as a carrier that has moved rather in the direction of FSCs in recent years.⁷⁶

⁷⁴ Responses to questionnaire Q1 – Competitors, question 33. Responses to questionnaire Q2 – Customers, question 38.

⁷⁵ Annex 5.5.44, slide 5.

⁷⁶ Sabre Airline Solutions, "The Evolution of the Airline Business Model", page 3, http://www.sabreairlinesolutions.com/images/uploads/Hybrid_Model_Brochure.pdf (retrieved on 7 January 2016).

- (156) Although references to further development of an Altéa light solution can be found in Amadeus' internal documents, the Commission considers that, beyond theoretical considerations, Amadeus has so far not carried out any credible development of a potential stripped-down version of its PSS for simple hybrids and LLCs. In the light of the available evidence, the Commission considers that such theoretical considerations were discarded in favour of acquiring Navitaire.
- (157) Furthermore, Amadeus' Altéa suite is a complex platform whose community model makes it a tougher sell to airlines requiring low costs and high flexibility. This would have made simplification difficult because the PSS's complexity would have had to be hidden for airlines requiring a less complex system, thus adding further layers that could potentially increase costs.
- (158) Navitaire, on the other hand, had already started development work upgrading its New Skies PSS to cope with more complex demands from airlines. However, the incentive to do so seems to have come mostly from existing customers moving from a pure LCC business towards the hybrid segment. The case in point is Navitaire's contract with [CONFIDENTIAL] that demanded extended functionality from New Skies and resulted in Navitaire's Project Dandelion upgrade programme.
- (159) According to the internal documents reviewed by the Commission, Project Dandelion would have brought some improvements to New Skies, but would not have made New Skies a formidable competitor to Altéa. Its customer reach would have been limited to a few and some functionality would have been dependent on cooperation with a third party supplier (namely Travelport) because Navitaire did not intend to develop this functionality in-house. Moreover, these internal documents have also demonstrated that Project Dandelion had to cope with multiple delays and funding insecurities.
- (160) Different from Amadeus, Navitaire has a much more limited R&D spend. According to figures submitted by the Parties, Amadeus spent EUR [CONFIDENTIAL] million on PSS R&D, corresponding to [20-30]% to [20-30]% of Amadeus' PSS revenues. Contrary to that, Navitaire spent EUR [CONFIDENTIAL] million on PSS R&D in 2014. Increased by the amount Accenture, Navitaire's parent company, would have approved for Project Dandelion, the overall R&D expenditure would amount to about EUR [CONFIDENTIAL] million, about [5-10]% of Navitaire's PSS revenue in 2014.⁷⁷ With a discrepancy in funding of over EUR [CONFIDENTIAL] million, it is unlikely that Navitaire could have easily taken on Amadeus. This appears even more prevalent if considering that Amadeus estimated the costs of developing its own Altéa light PSS at EUR [CONFIDENTIAL] million at least. Therefore, whether or not Project Dandelion would have led Navitaire to become a close competitor to Amadeus is highly speculative.
- (161) As concerns the second criterion of the Horizontal Merger Guidelines' rules on merger with potential competitors, in the case at hand, there are several actual competitors that will continue to act as a competitive constraint post-Transaction (for example Sabre and SITA *versus* Amadeus, and Radixx and IBS *versus*

⁷⁷ The Parties' Response to the Commission's questions of 23 December 2015 dated 4 January 2016, page 2.

Navitaire). Thus, there are other PSS providers that will continue to compete with the Parties post-Transaction to a greater degree than the Parties would (even potentially) compete with each other.

- (162) The same applies when looking at the hybrid segment separately. The hybrid model is a dynamic market and there are a significant number of competitors active in this segment who will continue to exert a significant competitive constraint post-Transaction (e.g., Sabre, SITA, Hitit, Radixx, IBS, as well as in-house solutions). Even if the hybrid model is further segmented into hybrid simple and hybrid complex, there will be several competitors in both sub-segments (for example Sabre and SITA for "hybrid complex" and Radixx and IBS for "hybrid simple").
- (163) The Commission considers therefore that the criteria of the Horizontal Merger Guidelines concerning potential competition are not fulfilled in this case.
- (164) Concerning the complaint relating to IATA's "One Order" project, the Commission considers that "One Order" appears to be still in its infancy. The IATA Board only approved the development of the One Order messaging standard in December 2015. Likewise NDC, the implementation of the standard will likely not to take place for a number of years. So far it is only a project and the Commission has not been presented with convincing evidence that it would have the change to modify the way airlines conduct their business within the 2–3 years' time horizon relevant for merger control review.
- (165) Therefore, the Commission considers that it is far from certain that the One Order project will be implemented in the short to medium term and that it will be implemented as expected. As a result, any theory of harm based on the implementation of this project would be too speculative. Given the current and foreseeable status of the One Order project, it appears too early to say whether the parties – absent the Transaction – will likely increasingly compete in the hybrid space.
- (166) In the light of the above and all the available evidence, the Commission considers that the current and foreseeable status of the "One Order" project does not allow the Commission to reasonably assume that the Parties would become closer competitors in the hybrid space in the short to medium term.

5.1.5.5. Conclusion

- (167) In the light of the above and all the available evidence, the Commission concludes that the Transaction does not raise serious doubts as regards a lessening of potential competition.

5.1.6. *"Downgrading" of New Skies and rising prices*

- (168) During the course of the market investigation, some customers were concerned that the Merger would eliminate a market leader for the supply of PSS for LCCs. In particular, a number of these customers have expressed concerns that Amadeus would not keep Navitaire's PSS as a separate platform or that, if kept separate, Amadeus would downgrade or stop developing Navitaire's platform to the extent that its customers would have to switch to Amadeus' higher priced Altea platform. In addition, some customers claim that Navitaire is a market dis-

ruptor putting pressure on price and that its removal would be detrimental to competition. Amadeus could then increase the price of the Navitaire's platform due its stronger overall market power.

5.1.6.1. The view of the Parties

- (169) According to the Parties, it would make no sense for Amadeus to degrade New Skies platform. Its primary target segment is LCCs. Amadeus has no solution for LCCs other than New Skies so degrading New Skies would mean Amadeus cannot address the LCC segment.
- (170) Currently Navitaire invests significantly less percentage turnover in R&D than Amadeus. Amadeus currently invests on average 15% of its revenues in R&D across the company, which would increase to a range between [20-30]% within the business unit in charge of PSS. This is significantly more than the 4% to 8% that Navitaire typically spends on R&D.
- (171) Amadeus has publicly announced that it will not only keep the New Skies platform separate but that it will increase the level of R&D investment significantly, to closer to the Amadeus level: "*Amadeus intends to market and sell the two product portfolios separately and will continue to invest in both platforms, enhancing the services and functionality availability to all types of carriers.*"^{78 79}

5.1.6.2. The results of the market investigation and review of internal documents

- (172) The Commission has reviewed an internal document of Amadeus, submitted as Annex 5.5.27 "*Project Chimera*" board presentation of 25 June 2015 that details its plans to maintain Navitaire as a separate platform. This document contains the following slide (19):

⁷⁸ Amadeus press release of 1 July 2015 entitled "*Amadeus to Acquire Navitaire from Accenture for US\$830 Million; Amadeus and Accenture to Form Alliance to Focus on Digital Services for Airline Passengers*", http://www.amadeus.com/web/amadeus/en_1A-corporate/Amadeus-Home/Newsroom/Archive/2015-07-01_Amadeus-to-Acquire-Navitaire-from-Accenture/1319658626891-Page-AMAD_DetailPpal?assetid=1319637430170&assettype=PressRelease_C (retrieved 8 January 2016).

⁷⁹ See also the letter sent by Amadeus to the Navitaire's airline customers dated 15 January 2016.

Figure 2: Annex 5.5.27 "Project Chimera" board presentation of 25 June 2015, slide 19

Sales & Commercial Strategy

- Enhance Navitaire offering to be more competitive with [CONFIDENTIAL] and target airlines with low business complexity

- Altea solution targeted at airlines with high business complexity
 - Altea solution focus for airlines with high business complexity as a key differentiator vs Navitaire
 - [BUSINESS SECRET]
 - [BUSINESS SECRET]

- [...] define offering (Altea vs Navitaire for each airline), subject always to airlines requests

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- (173) In another internal document, submitted as Annex 5.5.20, Amadeus considers two operating model scenarios. The first: *"Navitaire assets are retained in the medium, modest investment continues including mid-level integration with key Altea services eg Eticket engine, business is operated on a standalone basis with similar ongoing cost basis and current support arrangements"*. In that scenario, no client attrition is expected. The second scenario: *"Navitaire assets are not retained, migration to Altea or Altea Light is executed in the short term, commercial strategy is to synchronise pricing, support, etc with current Altea client arrangement and operations"*. In that scenario, Amadeus expects *"material client attrition, subject to contract provisions for termination for change of control and or/termination for convenience. Clients at risk include [...]"*.
- (174) In a letter sent on 15 January 2016, Amadeus announced to the Navitaire's airline customers that it will keep New Skies as a different solution to Altea, and the basis of its investment is that *"[Amadeus] will retain the brand, solution, and the related/integrated components"*.⁸⁰ This is in line with an exchange of communications with the Navitaire customers Jetstar, Germanwings and Vueling prior to the notification of this case to the Commission, where Amadeus also

⁸⁰ See also the letter sent by Amadeus to the Navitaire's airline customers dated 15 January 2016. In particular, in this letter, Amadeus reassures its customers that *"[...] our intention is to make New Skies a better solution than it currently is. Along these lines, from the starting point of Navitaire's existing roadmap for New Skies, we will continue the New Skies development for the benefit of airlines, and in addition will work to identify more New Skies product enhancements which will improve the solution and Navitaire's customers' experiences whilst also retaining the Navitaire competitive pricing in the marketplace and its relative ease of use"*.

announced that it will keep the New Skies platform separate and that it will significantly increase the current level of R&D investment.⁸¹

5.1.6.3. The Commission's assessment

- (175) The Commission considers that, in spite of the concerns expressed by some market participants, there is no convincing indication that Amadeus would have the incentive to downgrade Navitaire's New Skies PSS following the implementation of the Transaction for the following reasons.
- (176) First, Amadeus does not have an offering of its own to address the needs of LCCs and simple hybrid customers. Its own Altéa suite is too complex and expensive to cater to the need of such carriers. The rationale of the Transaction pertains to this fact and is supposed to enhance Amadeus' product offering by closing this gap.
- (177) Second, by stopping investments in New Skies or by intentionally downgrading it, Amadeus would destroy substantial corporate value that it has just acquired for a price of USD 830 million.
- (178) Such a course of conduct would only be rational if Amadeus were able to recoup such losses through forcing Navitaire's customers (or a significant number of them) to switch to its higher margin product Altéa. There is however no convincing indication that Amadeus would be able to successfully do so. As already mentioned, Altéa is too complex and expensive to cater to the needs of these customers and they have the possibility to switch to other competitors, such as Sabre, in the case of a downgrading of Navitaire's New Skies PSS. Therefore, even if Amadeus downgraded its product in order to make Navitaire customers shift to its higher margin product Altéa, there is absolutely no guarantee that a Navitaire customer who just saw his customary product being deliberately downgraded would migrate to Altéa. Instead, such a customer would very likely go to a competitor, such as Sabre.
- (179) This is also confirmed by Amadeus' own internal documents, which show that any downgrading of New Skies would lead to significant customer losses. The downgrading scenario would therefore be detrimental because it would lead to customer losses for the merged entity and would destroy much of the value in the Navitaire business.
- (180) Third, internal documents relevant to Amadeus' strategy and letters sent to some customers refer to an improvement of Navitaire's offering post-transaction to make it more competitive against its competitors and to target the low end of the market (i.e. LCCs and hybrid simple).⁸² This seems to be backed up by the anal-

⁸¹ Letter of 13 October 2015 from Amadeus to [...]; letter of 16 November 2015 from Amadeus to [...]; letter of 18 November 2015 from Amadeus to [...]. See – see submission by the Parties of 22 December 2015.

⁸² Form CO, Annexes 5.5.27 and 5.5.31.

ysis of T2RL, a PSS consultancy firm, which also deems improvements of Navitaire's offering more likely following the takeover by Amadeus.⁸³

- (181) Furthermore, during the course of bilateral discussions between the Commission and several market players prior to the notification, some Navitaire customers considered that the Transaction may bring innovation in Navitaire's PSS if Amadeus invests in new improvements, and that the Transaction would bring about better connectivity among New Skies and Altéa for those airline groups using both platforms.
- (182) The Commission also considers it unlikely that the Transaction would lead to unilateral effects in the form of higher prices for PSS customers. Amadeus and Navitaire are rather distant competitors both in the overall market for PSS and in the narrower market segment of PSS for hybrid carriers. The Transaction will not significantly alter Navitaire's market position because Amadeus' own offering is rather complementary in terms of customer footprint. For customers there will be no change in the range of products that will remain available to them. In case the merged entity were to raise the price of either Amadeus' or Navitaire's PSS system, because customers not willing to pay the higher price for either product would rather switch to the product of a closer competitor than to the other product offered by the merged entity. In addition, as Navitaire has a very strong position in the LCC and simple hybrid segments already, it could have already now increased its prices. The Commission therefore considers that Amadeus is unlikely to be able to profitably raise prices to Amadeus or Navitaire customers post-Transaction.

5.1.6.4. Conclusion

- (183) In the light of the above and all the available evidence, the Commission concludes that the Transaction is unlikely to lead to a potential lessening of innovation or a risk of higher prices for current Navitaire customers. Furthermore, it is unlikely that Amadeus might decrease innovation or raise prices for Altéa customers given the minimal overlap in Navitaire and Amadeus customers.

5.1.7. *Conclusion on non-coordinated effects*

- (184) The Commission therefore concludes that the Transaction does not raise serious doubts as regards its compatibility with the internal market in relation to a significant impediment to effective competition in the market for PSS through unilateral effects.

5.1.8. *Coordinated effects*

- (185) According to one market participant, the Transaction could raise potential coordinated effects: Amadeus and Sabre, companies with similar business model and both active on the GDS and PSS markets, would dominate a very transparent

⁸³ T2RL expressed the following opinion concerning Navitaire's prospects: "*Navitaire's primary challenge was to grow their customer base and to make the product more suitable for those carriers that will adopt a hybrid business model. The Amadeus acquisition makes this much more likely and gives Amadeus a share of the faster growing markets of LCC and Hybrid carriers as defined by T2RL.*" See Annex 5.5.39 to the Form CO, Study by T2RL entitled "The Market For Airline Passenger Services Systems – 2015" page 13.

market (market shares are calculated on passengers boarded) once Navitaire is taken over by Amadeus. Coordination would relate to pricing and innovation.

- (186) The Parties submit that the Transaction does not give rise to any coordinated effects because there are many providers with asymmetric market shares, a lack of transparency, no sufficient deterrent mechanism and likely reactions of outsiders, namely the Parties' customers that would jeopardise the outcome of the coordination.
- (187) The Commission considers that the Transaction is unlikely to lead to any appreciable coordinated effects. Amadeus and Sabre are already close competitors in the PSS market and have significant market shares in the FSC and complex hybrid segments. The Transaction will not change this situation. Customers in these segments will therefore not be confronted with fewer competitors to choose from in these segments.
- (188) Moreover, Sabre and Amadeus could already now use their position as PSS suppliers that offer GDS solutions as well to coordinate irrespective of the Transaction. Any coordination between Amadeus and Sabre would therefore not be merger-specific. Furthermore, no other market participants have raised any concerns about coordination in the Commission's market investigation.
- (189) The Commission concludes therefore that the Transaction does not raise serious doubts regarding its compatibility with the internal market in relation to a significant impediment to effective competition in the market for PSS through coordinated effects.

5.2. Conglomerate effects

- (190) Merger between companies that are active in closely related market supplying complementary products or products which belong to a range of products that is generally purchased by the same set of customers for the same end use may in certain specific case be harm to competition. In particular, this may happen where the merger parties are able, and have incentives, to foreclose related markets.⁸⁴
- (191) The Commission has examined whether anti-competitive conglomerated effects may arise from the presence of Amadeus in the related markets for the provision of PSSs and GDSs, in particular, resulting in foreclosure effects and/or reduction in innovation.

5.2.1. Risk of foreclosure

5.2.1.1. The views of the Parties

- (192) The Parties claim that Amadeus' presence in the GDS space does not give rise to a vertical link between the Parties, as PSS and GDS are not located upstream or downstream from each other (i.e. there is no supply-and-demand relationship between suppliers of GDSs on the one hand and PSSs on the other or *vice ver-*

⁸⁴ Commission Guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings ("Non-Horizontal Merger Guidelines"), OJ C 265, 18.10.2008, p.6, paragraph 91 et seq.

sa). Moreover, the Parties submit that GDS and PSS do not belong to "neighbouring" markets as these products are not complementary to each other nor do they belong to a range of products that is generally purchased by the same set of customers for the same end use.

- (193) Furthermore, the Parties claim that despite being currently active in both PSS and GDS market, Amadeus has not so far engaged in any bundling or foreclosure practices. In this respect, the Parties further submit that the Transaction would not change Amadeus' abilities and incentives to do so.

5.2.1.2. The Complaints

- (194) Two complainants are concerned that the Transaction would allow Amadeus to extend its practices of bundling both various PSS non-core functionalities and modules with its PSS solutions, and PSS solutions with its GDS services to Navitaire's PSS offerings.⁸⁵ They claim that Amadeus currently implicitly links the terms on which it supplies its GDS with the terms on which it supplies its PSS. Further, Amadeus technically and/or contractually bundles PSS modules and/or related IT solutions, limiting thus airlines' choice to multi-source PSS non-core modules and other IT ancillary products. In addition, they claim that Amadeus currently restricts the interoperability between its PSS and IT solutions enabling direct distribution, thus limiting airlines' choice of the distribution channels in favour of its own GDS⁸⁶. The acquisition of Navitaire's PSS would incentivise Amadeus to impose such technical and/or contractual restrictions also on Navitaire's customers.

- (195) As regards the risk of reducing the routes to market, the two complainants expressed concerns that Amadeus may remove or degrade Navitaire's roadmap which includes functionalities preserving the independence of PSSs from GDSs (e.g. APIs enabling direct connection with travel agents and other third parties, including aggregators). Those APIs enable airlines to reduce their distribution costs (compared to GDS-intermediated sales). Amadeus, as an integrated PSS and GDS provider, would not have any incentive to promote direct sales, since the increase in PSS revenues for Amadeus would be significantly lower than the reduction in the GDS revenues it would generate if the sale had been intermediated by its GDS. The two complainants claim that Navitaire has been a proactive developer of solutions providing alternative routes to the market as well as interoperability between its own PSS and GDS and other IT systems. The acquisition of Navitaire by an integrated supplier of PSS and GDS would lead to the

⁸⁵ In this respect, the two complainants point out that in its Investor Presentation of 20 October 2015, Amadeus refers to potential synergies between GDS and PSS in particular as a result of "cross-selling and up-selling". See Amadeus Investor Presentation of 20 October 2015, available at http://www.investors.amadeus.com/media/files/english/debt_rating/eurobond_issuance/Amadeus%20October%202015%20Investor%20Presentation.pdf.

⁸⁶ Similar concerns have been raised by some customers and competitors during the market investigation. See responses to questionnaire Q1 – Competitors, questions 36.1 and 37.1 and responses to questionnaire Q2 – Customers questions 43.1, 44.1 and 47.1.

loss of the "GDS neutrality" as regards the routes to market resulting in higher prices for airlines and ultimately to passengers⁸⁷.

- (196) In the light of the above considerations, the complainants essentially submit that the Transaction would hamper innovation, especially in relation to PSS functionalities enabling interoperability between PSS and other carrier IT systems providers, independence of PSSs from GDSs and promoting routes to market alternative to the GDS model.⁸⁸

5.2.1.3. The market investigation

- (197) As regards the way PSS and GDS are procured by airlines, a majority of customers purchase PSS and GDS separately.⁸⁹ A majority of customers also indicated that they have not received discounts in the provision of PSS solutions for acquiring a GDS solution (and vice versa) from the same provider.⁹⁰
- (198) However, both customers and competitors referred that PSS and GDS are technically linked and that the supplier of both PSS and GDS has a commercial advantage over its rivals in the PSS and GDS markets which do not supply the other product as well.⁹¹ For example, a supplier of both GDS and PSS like Amadeus may bundle the two products, thus leveraging control over the PSS interfaces to the benefits of GDS (PSS providers have access to confidential information about the distribution strategy of an airline and may use the information to the advantage of GDS), and taking advantage of the long duration of PSS contracts to tie in GDS contracts. Further, they may cross-subsidize the two products and may benefit from one-stop shopping. Some respondents (customers and competitors) mention that Amadeus' PSS and GDS share the same technology and have access to the same booking database, which would ease the exchange of information between the PSS and the GDS, avoiding delays and errors.⁹²
- (199) A majority of customers and competitors acknowledge that there are some commercial and technical advantages to procure PSS and GDS from the same provider. However, some customers also mention that procuring PSS and GDS from the same supplier may entail the risk of depending on the same vendor, which in turn may lead to the risk of facing a price increase.⁹³ A majority of customers also stated that their GDS contract imposes restrictions on pricing (essentially price parity clauses with respect to alternative direct and indirect distribu-

⁸⁷ Similar concerns as regards Navitaire's ability to offer smarter and cheaper connections have been expressed by some customers during the market investigation. See responses to questionnaire Q2 – Customers, question 47.1.

⁸⁸ A definition of NDC can be found in paragraph 5.2.2.1.

⁸⁹ Responses to questionnaire Q2 – Customers, question 40.

⁹⁰ Responses to questionnaire Q2 – Customers, questions 41 and 42.

⁹¹ Responses to questionnaire Q1 – Competitors, questions 36 and 37. Responses to questionnaire Q2 – Customers, questions 43 and 44.

⁹² Responses to questionnaire Q1 – Competitors, questions 36 and 37. Responses to questionnaire Q2 – Customers, questions 43 and 44.

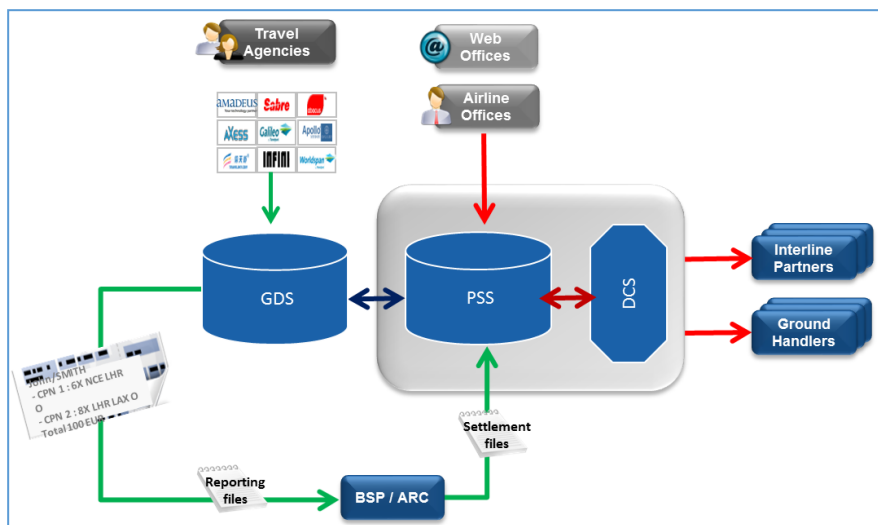
⁹³ Responses to questionnaire Q2 – Customers, question 45.

tion channels).⁹⁴ A majority of customers indicated that their contract with the integrated GDS/PSS supplier does not restrict their ability to use third party PSS modules, although some customers mentioned that the PSS contract with an integrated GDS/PSS provider may restrict their ability to have direct connections solutions with IT providers as well as to distribute through direct and indirect channels that are competing with GDS.⁹⁵

5.2.1.4. The Commission's assessment

- (200) A GDS cannot operate without a connection to an airline PSS. If an airline wishes to distribute via travel agents to cater for business passengers, it will also need to subscribe to GDSs. In this case, the airline's PSS must be able to communicate with each GDS the airline has subscribed to in order for a travel agent to see the airline's available seats and fares and to successfully process a passenger reservation. In particular, each GDS requires access to the inventory module (AIS) of a PSS in order to access information to be able to make individual bookings. Without this communication link between PSS and GDS, bookings via the GDS system would not be possible, as the GDS needs access to the information on the airline inventory available from the PSS. Looking at a PSS system, the connection between an airline's PSS and GDS can be illustrated as follows:

Figure 3: Connection between GDS and PSS



Source: Form CO

- (201) Therefore, PSS and GDS are closely related products, since they belong to the same range of products that may be purchased by the same type of customers (i.e. airlines which use indirect distribution channel through travel agents) for the same end use (i.e. selling airlines' tickets).
- (202) The main concern in the context of conglomerate mergers is that of foreclosure. The combination of products in related markets may confer on the merged entity

⁹⁴ Responses to questionnaire Q2 – Customers, question 46.

⁹⁵ Responses to questionnaire Q2 – Customers, question 47.

the ability and incentive to leverage a strong market position from one market to another by means of tying or bundling or other exclusionary practices.⁹⁶

(203) In assessing the likelihood of such a scenario, the Commission examines, first, whether the merged firm would have the ability to foreclose its rivals, second, whether it would have the economic incentive to do so and, third, whether a foreclosure strategy would have a significant detrimental effect on competition, thus causing harm to consumers. In practice, these factors are often examined together as they are closely intertwined.⁹⁷

(204) In the present case, the Commission investigated whether post-Transaction (i) Amadeus would tie or bundle PSS with GDS in order to leverage its market power in the GDS market to disadvantage its rivals in the PSS market and (ii) Amadeus would bundle various PSS solutions together (core solutions with non-core solutions) and PSS solutions with other IT systems to foreclose PSS's rivals. Finally, the Commission also assessed whether, due to a common ownership of Navitaire's PSS and Amadeus's GDS, (iii) Amadeus may restrict the routes to market for Navitaire's customers, which in turn would hamper innovation and may lead to increased prices for airlines and ultimately for passengers.

i. Amadeus' ability and incentives to bundle PSS and GDS to leverage its market position in the GDS market to the disadvantage of its rivals in the PSS market

(205) Currently, Amadeus is the leading supplier of both GDS and PSS systems in Europe. Amadeus' market share in the GDS market in Europe in terms of bookings made amount approximately to [60-70]%. Other main GDS suppliers in Europe are Travelport ([20-30]%) and Sabre ([10-20]%). Worldwide, apart from Amadeus, only Sabre and Travelsky are integrated PSS and GDS suppliers⁹⁸.

(206) PSS and GDS are usually sold and contracted separately. While PSS solutions are supplied only to airlines, GDS providers interact both with airlines (whose information they distribute) and travel agents (who access the GDS). From the airline side perspective, they have an in-house or external PSS, whereas not all airlines subscribe to a GDS. Some airlines, particularly LCCs, do not use a GDS at all or do so only to a limited extent. For example, Navitaire estimates that only [5-10]% of total bookings across its entire customer base occur via a GDS.

(207) GDS and PSS decisions are generally made by airlines at different times, and the procurement of PSS on the one hand and GDS on the other differs significantly. PSS is mainly procured via tenders, whereas GDS is purchased via direct commercial negotiations between the airline and the GDS supplier. The duration of the respective contracts is also materially different: PSS contracts last on av-

⁹⁶ Non Horizontal Merger Guidelines, paragraph 93.

⁹⁷ Non Horizontal Merger Guidelines, paragraph 94.

⁹⁸ Travelport used to offer its PSS "Apollo" to United and Delta. Then, it exited the PSS market when United merged into Continental. Now Travelport does not offer a full set of PSS capabilities. It has built an electronic ticketing database to support Delta and United and offers e-ticketing service to Navitaire and SITA.

erage 10-12 years, whereas GDS contracts have shorter duration of 2-3 years on average.

- (208) From the GDS providers side, an airline normally signs distribution agreements with all GDS providers to maximize distribution through the travel agencies that are connected to each of those GDSs.⁹⁹ As such, an airline does not select a single GDS provider as is the case for a PSS.
- (209) According to the market investigation, PSS and GDS are not considered to be a package by customers. In the market investigation, although a majority of customers acknowledged that there are some commercial and technical advantages to procure PSS and GDS from the same provider, they indicated that they usually procure PSS and GDS separately.¹⁰⁰ In addition, a majority of customers also indicated that they have not received discounts in the provision of PSS solutions for acquiring a GDS solution (and vice versa) from the same provider.¹⁰¹
- (210) A strong position in the GDS market seems to influence the choice of the PSS provider, due to advantages of a seamless communication between the PSS and the GDS of a same supplier. During the market investigation, some respondents referred in particular to Amadeus in that respect, since its PSS and GDS share the same technology and communication between them is immediate.
- (211) However, in spite of the fact that Amadeus is already strong in both PSS and GDS markets and of this seamless communication between Amadeus' PSS and GDS, there is no evidence showing that Amadeus currently bundles or ties the two products together or that it systematically offers discounts and other favourable pricing conditions for a bundle of GDS and PSS.¹⁰² To the contrary, Southwest, the main Altéa customer in the US, uses Sabre and Travelport as GDSs. In Europe, Olympic Air, an Altéa customer, used to have a distribution agreement with Amadeus but eventually terminated it.
- (212) In addition and more importantly, the Transaction would not change Amadeus' incentives with regard to a potential tying or bundling strategy, nor to up-selling or cross-selling,¹⁰³ since Navitaire's customers are primarily LCCs and simple hybrid which do not to a material extent distribute via GDS. If they do they

⁹⁹ Each travel agency normally subscribes to just one GDS.

¹⁰⁰ Responses to questionnaire Q2 – Customers, questions 40 and 45.

¹⁰¹ Responses to questionnaire Q2 – Customers, questions 41 and 42.

¹⁰² The complainants pointed out to allegedly restrictive clauses contained in some Amadeus' PSS contracts that would link the terms of GDS contract to the PSS contract. These clauses seem to be legacy clauses contained in old PSS agreements. They seem to have limited scope, since they refer to a single module of PSS and not to a full PSS suite. Amadeus has never enforced these clauses which have been removed from Amadeus' template PSS agreements.

¹⁰³ Up-selling and cross-selling were mentioned in Amadeus' Investor Presentation of 20 October 2015. Amadeus however convincingly explained that potential synergies between GDS and PSS may mainly stem from costs savings and from the increased GDS bookings that may be achievable as a result of the improvements in New Skies connectivity with GDSs, if airlines wish to enhance their indirect distribution channel. Given that Navitaire's customers use indirect distribution to a very limited extent, the estimated increase in Amadeus' total GDS bookings would amount to less than 1.5%. This number is insignificant and cannot alter Amadeus' incentives in relation to either the GDS business or the PSS business.

normally use a sort of light version of GDS, using a technology that reduces the costs of intermediation. Given that Navitaire's customers clearly value direct distribution over distribution via GDS, they would have no interest in a bundled GDS/PSS proposition. It is implausible that the small increment of GDS bookings resulting from the Transaction (around [5-10]%) would make it more attractive for Amadeus to resort to any tying or bundling strategy. Even if, as a result of Navitaire's alleged move into more complex solutions, this figure would double in the near future, the ensuing percentage would be too limited to tip the balance in favour of such a bundling strategy.

- (213) Therefore, since Amadeus [*details about Amadeus' market position*] in GDS services in the EEA, it could theoretically already engage in bundling or practices to foreclose non-integrated PSS suppliers by leveraging its position on the GDS market (for example, by reducing its fees per GDS booking to a given airline in exchange for a contract for its own PSS). The merger-specific change in the market, if any, would therefore be very limited.
- (214) In light of the foregoing and taking into account the results of the market investigation and the evidence available to it, the Commission considers that the Transaction would not change Amadeus' ability and incentives to bundle or tie its PSSs with its GDS to leverage its position on the GDS market to the disadvantage of its rivals in the PSS market.

ii. Amadeus' ability and incentive to bundle PSS solutions together and PSS solutions with other carrier IT systems

- (215) PSS's core modules are Reservations (ARS), Inventory Management (AIS) and Departure Control (DCS) systems. For airlines operating in a ticketing environment (e.g. because they interline and/or codeshare and have complex route networks) also e-ticketing¹⁰⁴ can be considered a core PSS functionality. Most airlines acquire those core-modules from the same supplier because of the advantages stemming from the technical integration and efficiencies resulting from the design of an integrated suite.¹⁰⁵
- (216) Other PSS modules, such as e-ticketing (for carriers operating mainly in a ticketless environment), internet booking engines, revenue management and revenue accounting management systems, can be built in-house, or bought as additional modules to a PSS contract from the same provider of core PSS modules or from a third party supplier.¹⁰⁶

¹⁰⁴ E-ticketing provides ticketing services, including issuance, exchange and re-issue, refunds for flights and ancillaries.

¹⁰⁵ For example, reservations modules will more readily allow for a late booking passenger to be immediately known in a departure control system that is controlling catering orders, or to share a seat plan so an airline website can continue to support online check.in whilst check-in agents are also assigning seats at the airport using the departure control system.

¹⁰⁶ The connectivity between on the one hand, PSS core-modules and, on the other hand, PSS ancillary modules or other carrier IT services is ensured by a standard defined by IATA called A4A/IATA Reservation Interline Message Procedures ("AIRIMP"), with which PSS providers (including Amadeus) must comply.

- (217) Currently, Navitaire connects different carriers using different PSSs and has all the incentives to facilitate integration and interoperability of its systems with those of third parties offering IT products that Navitaire does not offer. According to a complainant, these incentives may change after the merger, since Amadeus offers many of those systems. The complainant claims that Amadeus already limits the connectivity with third party IT products (contractually and/or technically) by favouring integration only between its own services, and expressed concerns that post-Transaction Amadeus can also extend its restrictive practices to Navitaire's customers by foreclosing its PSS rivals. For example, according to the complainant, it would be likely that post-Transaction Navitaire will not renew its contract with Travelport on e-ticketing and would instead use Amadeus database, putting at risk Travelport's business.
- (218) Amadeus' components are optimised for FSCs and complex hybrid carriers and appear to be too complex, too costly and therefore not suitable for the needs of LCCs or simple hybrids.¹⁰⁷ The price of Amadeus' add-on component (such as e-commerce, revenue accounting and e-ticketing) is a multiple of the price of a lower-end component which is optimised for the needs of LCC/simple hybrid carriers. The complexity and rich functionality as well as the cost of Amadeus ancillary PSS solutions does not seem to fit within the requirements and price expectations of the simple hybrid and LCCs segment. Therefore, it seems rather unlikely for Amadeus to successfully convince Navitaire's customers to purchase the Amadeus component which is much more expensive because it supports a range of functionalities which they do not need.
- (219) As regards the clauses which, according to one complainant, would restrict an airline's ability to multi-source PSS's components from third party providers, they seem to merely define the scope of the licence for a single PSS solution granted by Amadeus to the airline. These clauses do not seem to prevent the airline from procuring the services required or add-on PSS components from third parties and use Amadeus IT solution in parallel with third party solutions. Therefore, they do not seem to prohibit "mixing and matching" the Amadeus' PSS with add-on components that are procured from third parties.
- (220) In this respect, Amadeus provided evidence of Altéa's customers which procure non-core PSS modules (such as revenue accounting and e-commerce) from third party providers, and/or use also in-house solutions in conjunction with

¹⁰⁷ For example, Amadeus' e-commerce solution supports complex network structures, complex and multiple fares structures and can consider the air segment bookings of codeshare and interline partners of the airline. For this reason, Amadeus' product is geared towards FSCs or complex hybrid carriers. Conversely, LCCs or simple hybrid carriers do not require this level of complexity. E-commerce solutions that LCCs carriers typically use sell the airline air segment only within the structure of point to point networks, with simple inventory and fare availability calculations within the PSS only providing the lowest fare available for requested point to point itinerary. The same holds true for revenue accounting: Amadeus' revenue accounting solution supports complex accounting functionalities required by FSCs that have complex ticket sales including a high percentage of indirect sales, material codeshare and interline sales accounting and airline global alliance accounting principles. Conversely, LCCs and simple hybrid carriers does not require such level of complexity, since they do not participate (or to a very limited extent) to indirect sales, codeshare and interline sales accounting and are not members of global alliances. As regards e-ticketing, the functionality is exclusively required by carriers with complex requirements, such as interlining and code sharing and by definition does not fit into the operating model of a LCCs/hybrid simple carrier.

Amadeus' PSS. These examples seem to indicate that Amadeus does not use restrictive practices in all cases and even if it does currently Amadeus' PSS customers may choose to purchase non-core PSS modules to third party or to use in-house solutions and also to mix and match its PSS with GDS of third party providers.

- (221) In any event, the Commission considers that even if one were to assume that Amadeus may have the ability to restrict the freedom of its PSS customers to multi-source PSS solutions by tying or bundling all PSS solutions together or by imposing contractual restrictions to the use of third party PSS modules, it is unlikely that post-Transaction Amadeus would have the incentives to do so for the following reasons.
- (222) A comparison between the incremental revenue that could be expected from successful bundling and the revenue risk of losing the Navitaire's PSS customers showed that the revenue earned from each of the main ancillary PSS functionalities (i.e. e-commerce, revenue accounting and e-ticketing) is only a fraction of the New Skies revenues.
- (223) In all instances examined, the revenue earned per passenger boarded in 2014 with New Skies is more than [CONFIDENTIAL] times that earned with Amadeus' ancillary PSS functionalities.¹⁰⁸ Even if Amadeus could combine the two solutions, it is unlikely that this strategy would be profitable, because the revenue risk of losing a PSS customer as a result would be much more significant than a potential revenue upside.
- (224) Therefore, the Commission considers in the light of the information available to it that post-Merger Amadeus would have no incentive to bundle because the revenue risk of losing the PSS contract as a result of a customer resisting the bundling and moving to another PSS would far outweigh any potential revenue upside from earning ancillary PSS modules revenues, such as e-commerce, revenue accounting or e-ticketing revenues, on top of PSS revenues. In addition, such a bundling strategy would be also unprofitable because if Amadeus were to insist on bundling unsuitable or unwanted products, it would cease to attract new customers to New Skies.
- (225) Finally, the Commission considers that even if one were to assume that Amadeus would have the ability and the incentives, *quod non*, to engage in such a bundling strategy, the majority of Navitaire's customers would not be affected by any attempt of Amadeus to impose (contractually or technically) such re-

¹⁰⁸ As regards e-commerce, in 2014 the revenue of New Skies basic PSS without add-on component was [...] per PB, whereas the revenue of Amadeus' e-commerce component amounted to [...] per PB. It should also be considered that the incremental revenue comparison for e-commerce is based on a best case scenario (i.e. Amadeus being able to sell its e-commerce solution to LCCs and FSCs at the same price), which does not appear realistic. It seems more likely that Amadeus would have to significantly lower the price of its e-commerce solution ([...] per PB) to make it more comparable to that of low-end e-commerce solutions ([...] per PB). As regards revenue accounting, in 2014 the revenue of New Skies basic PSS without add-on component was [...] per PB, whereas Amadeus' revenue accounting component amounted to [...] per PB. As regards e-ticketing, in 2014 the revenue of New Skies basic PSS without add-on component was [...] per PB, whereas Amadeus' e-ticketing component – assuming 2.5 PBs per ticket – amounted to [...] per PB.

restrictions. Navitaire's customers have long term PSS contracts in place and most of them are therefore protected against any possible bundling/tying strategy of Amadeus for the coming years. This would give the respective airlines enough time to seek for alternatives.

iii. Amadeus' ability and incentives to link PSS and GDS to restrict routes to market

- (226) Amadeus, in its internal documents, refers that it will invest in Navitaire's PSS to, *inter alia*, increase its connectivity with GDSs. This will allow LCCs customers of Navitaire to opt for increased GDS bookings if they so wish. Amadeus clarified that in its view this strategy will lead to additional bookings made by airlines on top of their existing bookings, not to bookings diverted from other channels.
- (227) Diversion of bookings from alternative distribution channels to GDS would not appear to be profitable for Amadeus, since direct distribution (via an airline's website or via APIs enabling direct connections with agents without the intermediation of GDSs) is a vital part of Navitaire's New Skies product, and core to its offering. It can be expected that New Skies customers will continue to seek ways to continue and enhance direct distribution as part of their business model. Navitaire's customers will never accept restrictions to their ability to distribute via their website or via disintermediated channels, which are much less expensive than the GDS one and could defeat any attempt by the merged entity to limit the routes to market by switching to a non-integrated GDS-PSS supplier, such as SITA, or Radixx.
- (228) Therefore, it is likely that Amadeus would jeopardize both its GDS and its PSS business if it tried to go against these customer demands and trends.
- (229) Finally and more importantly, given the small percentage of bookings on New Skies made via GDS, it seems unlikely that Navitaire's customers would increase their bookings via GDS significantly to make it profitable for Amadeus to engage in such a strategy.

5.2.2. Risk of reduced innovation as regards New Distribution Capability ("NDC")

- (230) In the course of the Commission's market investigation, concerns have been raised that, post-Transaction, Amadeus may have the ability and incentive to favour technical innovations and developments which enhance interconnection with the existing GDS distribution channel, rather than to encourage the development of alternative solutions, such as IATA's NDC XML standard.
- (231) NDC is a travel industry-supported program (NDC Program) launched in 2012 by IATA for the development and market adoption of a new, XML-based data transmission standard (NDC Standard).¹⁰⁹ According to IATA, the NDC Stand-

¹⁰⁹ The NDC initiative was launched by IATA in 2012 with the approval of Resolution 787 in IATA's Passenger Services Conference. Resolution 787 set the foundation standard for the NDC program. In 2012, IATA approved the first version of the NDC shopping schemas and started pilot testing. IATA also filed Resolution 787 for approval with the US Department of Transportation (DoT). Approval was granted by the DoT in August 2014 subject to certain conditions, which clarified that any standard developed under Resolution 787 shall be open, that Resolution 787

ard will enhance the capability of communications between airlines and travel agents. The NDC Standard will be open to any third party, intermediary, IT provider or non-IATA member, to implement and use.¹¹⁰

- (232) IATA further states¹¹¹ that the NDC Standard will allow an airline to make sales offers to agents without them being prepared by a third party as an intermediary. The sales offers can be aligned to current inventories rather than being based upon previously filed products (i.e. dynamic and personalized offers are possible). It also unlocks opportunities for the airline to manage other components throughout the indirect distribution process such as the opportunity to fulfil the transaction, create the booking record, issue the document(s) and respond with confirmations – should they choose to do so.

5.2.2.1. The Parties' view

- (233) The Parties do not consider that the Transaction would remove an innovator in relation to product distribution options for airlines or travel agencies. They also do not consider that the Transaction would change the merged entity's incentives to continue to support NDC.
- (234) According to the Parties, NDC is a messaging standard, not a system or a technology solution. There is no functional interchangeability between GDS and NDC. It follows that there is no prospect of NDC superseding GDS. GDS is and will remain a component in the NDC-distribution chain as a content aggregator. Market participants, in particular travel agencies, will continue to use GDSs and will employ NDC where it is capable of facilitating additional opportunities in terms of ancillaries and merchandising sales. The Parties consider that GDS will continue to account for a significant proportion of travel agent bookings.
- (235) Furthermore, Amadeus has been actively working on the development of the NDC, via its participation in IATA working groups, or by directly advising airlines about its plan to support NDC. Amadeus is actively engaged in the development of NDC and has continuous engagements with airlines on that matter (e.g. with United Airlines¹¹² and Qatar Airways¹¹³).
- (236) The Parties contend that Navitaire is involved in the NDC pilot programme at a much lower level (only two Navitaire customer airlines, GOL and Scoot, are

would not restrict what could be done with existing standards, and that any restriction on backward compatibility had to be removed; Form CO, paragraph 390.

¹¹⁰ See IATA website "New Distribution Capability", <http://www.iata.org/whatwedo/airline-distribution/ndc/Pages/default.aspx> (retrieved on 4 January 2016).

¹¹¹ See IATA NDC Strategy Paper, page 5, <http://www.iata.org/whatwedo/airline-distribution/ndc/Documents/ndc-strategy-paper.pdf> (retrieved on 4 January 2016).

¹¹² See ITCM "*Amadeus and United Airlines implement Amadeus' Ancillary Services Solution to merchandise Economy Plus® extra-legroom seats*", <http://www.incentivetravel.co.uk/news/technology/22088-amadeus-and-united-airlinesimplement-amadeus-ancillary-services-solution-to-merchandise-economy-plus-extra-legroomseats> (retrieved on 4 January 2016).

¹¹³ See IATA "NDC Pilot Program 2014 Pilots Consolidated Report", page 14, <https://www.iata.org/whatwedo/airline-distribution/ndc/Documents/2014-ndc-pilot-year-end-report.pdf> (retrieved on 4 January 2016).

part of the NDC pilot programme). Given that Navitaire's involvement is lower than Amadeus', there is no reason to suggest that Amadeus' participation in and commitment to NDC would change as a result of the Transaction.

- (237) Notably, there are other PSS suppliers who are actively supporting the project. IATA has recently cited the support of Sabre, SITA, Travelsky and IBS.¹¹⁴ Sabre has also recently indicated that it is working with American Airlines to transmit *à la carte* seat-sale capabilities to subscribers of its GDS using NDC based XML.¹¹⁵ Travelsky has also completed NDC pilots with China Southern, Hainan and Shandong Airlines.¹¹⁶

5.2.2.2. The Complainants

- (238) The Commission received two complaints regarding Amadeus' future stance on NDC. In essence the complainants allege that different from Navitaire which has a history of facilitating interoperability with third parties, Amadeus generally wants to limit distribution via NDC. For instance, in 2015, Amadeus agreed to [CONFIDENTIAL] to implement IATA NDC ([CONFIDENTIAL]). However, the agreement limits [CONFIDENTIAL].¹¹⁷

5.2.2.3. The market investigation

- (239) In the Commission's market investigation, a slight majority of customers stated that NDC would rather add new opportunities for airline distribution than have the potential to become a threat to GDS while competitors were split on the question.¹¹⁸
- (240) Clear majorities of customers and competitors indicated that suppliers of GDS already now have the ability and the incentive to slow down the development and introduction of NDC irrespective of the Transaction.¹¹⁹
- (241) Moreover, clear majorities of customers and competitors said that they were developing their own NDC solutions already now.¹²⁰

¹¹⁴ See IATA "New Distribution Capability (NDC) Together Let's Build Airline Retailing", page 17, <https://www.iata.org/whatwedo/airline-distribution/ndc/Documents/ndc-standard-presentation.pdf> (retrieved on 4 January 2016).

¹¹⁵ See "American Airlines To Deliver Paid Seats To Sabre Next Month Using NDC-Based XML", The Beat, 22 October 2015, <http://www.thebeat.travel/post/2015/10/22/American-Airlines-To-Deliver-Paid-Seats-To-Sabre-Next-Month-Using-NDC-Based-XML.aspx> (retrieved on 4 January 2016).

¹¹⁶ See IATA "NDC Pilot Program 2014 Pilots Consolidated Report", pages 2 and 26, <https://www.iata.org/whatwedo/airline-distribution/ndc/Documents/2014-ndc-pilot-year-end-report.pdf> (retrieved on 4 January 2016).

¹¹⁷ [CONFIDENTIAL] presentation entitled "Amadeus/Navitaire Acquisition, DG COMP, 9th October 2015", page 16.

¹¹⁸ Responses to questionnaire Q1 – Competitors, question 40. Responses to questionnaire Q2 – Customers, question 48.

¹¹⁹ Responses to questionnaire Q1 – Competitors, questions 41 and 42. Responses to questionnaire Q2 – Customers, questions 49 and 50.

(242) Furthermore, according to T2RL,¹²¹ a PSS consultancy, "*NDC has still not materialised in any meaningful way. Pilot projects are still running but have not achieved scale or persuaded the industry to change direction*".

5.2.2.4. The Commission's assessment

(243) In the light of the result of the market investigation, the Commission considers it unlikely that the Transaction would lead to a lessening of innovation as regards NDC for the following reasons.

(244) First, Navitaire cannot be considered the main driver in the development of NDC applications. Although it has announced some projects, such as the placement of a contract with a leading NDC system provider to build the necessary interfaces into its reservation system with delivery expected on 2015¹²² and it has developed an XML-based distribution application programme interface (API) for a customer for many years, it is by no means the first mover nor the only one supporting innovation in this field. For example, it has not participated more vigorously than Amadeus in pilot projects with airlines wishing to start early implementation of the standard. Given that Amadeus itself can point to a track record of NDC pilot projects it does not seem plausible that a takeover of Navitaire by Amadeus would lead to a lessening of Amadeus' own involvement in the implementation of the standard.¹²³

(245) Second, in the light of the results of the market investigation, the Commission considers many other providers and even airlines are relatively advanced in the development of their own NDC solutions.¹²⁴

(246) Third, the Commission considers, on the basis of the market investigation, that GDS providers, such as Amadeus, have the incentive and the ability to slow down NDC development already now irrespective of the Transaction. These incentive and ability factors combined with the significant uncertainty of NDC's development, NDC's current insignificant commercial scale as well as Navitaire not being the main driver of NDC's development show that it is too early to predict that in absence of the Transaction NDC would turn into a successful project. More than three years after its official launch by IATA, NDC is still in a rather early stage and has seen application mainly as regards ancillary products sold together with tickets flight and is starting only this year to be applied to flight bookings.

¹²⁰ Responses to questionnaire Q1 – Competitors, question 43. Responses to questionnaire Q2 – Customers, question 51.

¹²¹ T2RL, "*The Market for Airline Passenger Services Systems – V1.0 of 25 July 2015*", submitted as Annex 5.5.39, page 17.

¹²² The announcement was made by Navitaire at a Customer Conference in Salt Lake City in October 2014.

¹²³ In the letter sent by Amadeus to the Navitaire's airline customers dated 15 January 2016, Amadeus stated that it will maintain the flexibility regarding their direct connect through the NDC standards and "*Navitaire's commitment towards the development and implementation of NDC will continue and will be honoured*" post-transaction.

¹²⁴ Responses to questionnaire Q1 – Competitors, question 43. Responses to questionnaire Q2 – Customers, question 51.

- (247) Fourth, Navitaire does not have its own GDS solution and the overwhelming majority of its customers do not use GDS for distribution purposes. Even if it were true that Navitaire would become a disruptive force for NDC, FSCs and complex hybrid carriers, i.e. those mainly distributing *via* GDS, would not stand to benefit from that. This is due to the fact that Navitaire's own PSS is ill-suited to cater to these airlines' needs of increased complexity. Therefore, these airlines would not be able to use Navitaire's PSS for their purposes and could also not benefit from Navitaire's NDC expertise.
- (248) Fifth, Navitaire's investment in development of its IT solutions, including NDC, is a fraction of Amadeus' spending. Given the limitations of Navitaire's R&D budget, it appears unlikely that it would become a driving force for NDC development.
- (249) Therefore, in the light of the above considerations, the Commission considers that the Transaction is not prone to endanger the implementation of NDC as alleged by the complainants.

5.2.2.5. Conclusion

- (250) In view of the above, the Commission concludes that the Transaction does not lead to serious doubts as regards its compatibility with the internal market in relation to conglomerate effects in the PSS and GDS markets as concerns a potential reduction in innovation of the NDC standard.

5.2.3. *Conclusion on conglomerate effects*

- (251) In light of the above and all available evidence, the Commission concludes that the Transaction does not raise any serious doubts as regards its compatibility with the internal market in relation to conglomerate effects in the PSS and GDS markets, since the Transaction would not change Amadeus' ability and incentives to engage in any foreclosure practice nor to hamper innovation.

6. CONCLUSION

- (252) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

For the Commission

(signed)
Margrethe VESTAGER
Member of the Commission