

LITTLE LESSONS FROM HISTORY

CHAPTER 10: *From Hyperion to Datalex and Beyond*

From autumn 1986 onwards I was no longer TPF Systems Manager at KLM. The six months I then spent in Brussels representing KLM on the GDS task force, which led to the creation of Amadeus and Galileo, was a temporary assignment, not a job. However, yet again something else came up and I got a new temporary assignment, but for two whole years this time. The “TPF will be dead in 5 years” clique, who now controlled KLM’s IT department, decided to set up a specialised TPF consulting company as a joint venture with a major Dutch software house. They had three reasons for doing this:

- Throughout the first half of the 1980’s, when KLM was installing copies of their reservations system one after the other for other airlines, there was a constant conflict for resources between what KLM was budgeted to do for TPF development internally and what the contracts with the other airlines called for externally. A specialised local source of external expertise could solve this. It had escaped their attention that it was actually two years since KLM had sold a system and that there were no new customers in the offing. BA and Swissair had taken over the marketplace because KLM was lagging behind functionally and the people who had been doing the selling (a gentleman called Richard Thomas and myself) were no longer actively doing so on KLM’s behalf.
- The arrival of a European GDS on the scene, which actually turned out to be two, Amadeus and Galileo, would cause a greatly increased demand in Europe for TPF expertise and KLM wanted to cover its back in case KLM’ers decided to jump ship. In the end only a few did, so this reason turned out to be irrelevant as well.
- For some obscure reason they thought that it fitted their strategy to get rid of TPF. However, you will note that we are now well into the 21st century and TPF is still running effectively, if not exactly happily, in KLM. However, the majority of that “Twbdi5y” clique is long gone.

Anyway, the decision to set up this joint venture was taken early in 1987, when I was still in Brussels, and the resulting company was to start operations in April of that year. They asked me if I would accept a two-year secondment to that company to get it going and to choose two other senior KLM TPF experts to join me. I said yes to that with great alacrity, since I had no desire to be embroiled in the politics back in the KLM IT department. The struggle there between sense and nonsense continues unabated till the present day, with nonsense having the upper hand and consuming the vast majority of the budget.

The joint venture company was 50% owned by KLM and 50% by the Dutch software house. The latter put in a managing director whose job it was to set up and run everything and I was to report to him as technical director. It turned out that this gentleman knew nothing about TPF, nor about the travel industry, nor about running a consulting company, but he was a great guy nevertheless. By the time I got back to Amsterdam in early April 1987, he had set the company up (including giving it a name, Hyperion, which is not as easy as it sounds), found and furnished an office and we were ready to go. Me and the two other KLM’ers arrived and asked: “where do we sit and what do we do?”. He said: “sit wherever you like, it’s a big and empty office, and go out and sell TPF services”. So we did. The first customer was KLM, no surprise; the second Galileo, also no surprise since Galileo started in Amsterdam and KLM was a shareholder. From there on it got more difficult, but we learned not only to survive, but to prosper. The first year was quite fun: Hyperion spent nearly USD. 1M (loans from the two owners) and earned revenues of

USD. 250K. That was when I realised that making a profit means that income has to exceed expenditure; not just in theory, also in practice; not just on occasion, but also month in, month out. The second year we earned revenues of USD. 2M, with costs of USD. 1.8M. We had the hang of it and things were going great, but my two-year secondment was up.

KLM said I could choose: return to KLM or transfer permanently to Hyperion, so I took the latter option and left KLM employment for good. Hyperion's third year was also great, but then came the Gulf War. Those of you who were around at the time will know that the airline industry took a real beating during, and for several years after, the Gulf War (like we are now in the aftermath of 11 September 2001). It was only in 1994 that things were more or less back to normal. During this period, with Hyperion barely breaking even and KLM in "back to core business" mode, KLM decided to unload all its interests in non-core activities and sold its 50% shareholding in Hyperion to the Dutch software house for a song. This happened just when things started to get better, but it fortunately never had any impact on our business or on our relationship with KLM. KLM had always been a totally passive shareholder in Hyperion.

The Dutch software house, Origin for anyone interested, now owned us 100% and were themselves by that time majority owned by Philips. They had no clue what we did, nor were they interested. They were involved in manufacturing, banking and central government IT systems: the travel industry was a mystery to them. However, we made a profit, so they left us alone to do as we thought fit, but we were not happy: there was no synergy. We were stuck in a rut with a static marketplace for TPF services and we were not allowed to do anything with products, because that was against Origin's philosophy. By early 1998 we were fed up and wanted out from Origin, since they had just trebled the management fee they charged us for doing absolutely nothing that helped our business. Hence, I approached them about doing a management buyout, but this was flatly rejected. Fortunately, Origin itself was in turmoil, since it was not making the profits Philips expected, and later in 1998 we had the fifth change of CEO's in Origin in two years. Hence, I went back to them again about the management buyout and to my amazement they said yes. That gave me a problem: where was the money to come from, and how much do they want, and where is the working capital to come from?

Lo and behold, a knight in shining armour astride a white stallion arrived unexpectedly at our doorstep: Datalex. Datalex was in acquisition mode, had money to spend, were uniquely concentrated on travel industry software and wanted to expand their capabilities in TPF software services. The match and the timing both seemed ideal. They financed the management buyout, Hyperion was renamed to Datalex and all Hyperion employees became shareholders of Datalex in the process. Less than two years later, after half a dozen other acquisitions, Datalex did its IPO. Needless to say, all Datalex employees in Amsterdam were extremely happy with this series of events until NASDAQ went belly-up, our shareholding turned out to be worth a small percentage of zero and the Datalex products business seemed capable of nothing other than losing money hand over fist.

So, where do we go from here?

It often seems to me that modern post-industrial society is busy trying to achieve one goal only: the elimination of diversity on the planet Earth. Everything we are doing is driven by the need to accommodate an ever-increasing population (now over 6 billion and inevitably heading towards 9 billion; possibly more, if we can stop the additional ones starving to death before they have produced children) and the burning desire to implement the most efficient production processes possible to maximise return on investment, thus replacing all other traditional processes and products. The components of the planet Earth which do not

contribute to these ends are doomed to be eliminated; e.g. wild or non-edible animals, jungles, swamps, natural habitats, nature reserves, traditional crafts, cottage industries, etc. Once we have succeeded in eliminating all diversity, biological, cultural and industrial, the world will be a completely homogeneous and extremely efficient marketplace with nothing to distinguish one continent or country from another, except possibly the climate, and the products produced and sold will be exactly the same everywhere. We are already a long way down this path. If one were to wake up now in a shopping centre in London, Dubai or Singapore, the names and contents of the shops would not tell you where you were. You would have to go outside: if it was cold and dismal and raining, then it's London; if it was searingly hot with a perfectly clear blue sky, then it's Dubai; if it's hot, sticky and hazy, then it's Singapore.

The TPF world was very diverse at its peak in the late 1980's, although the numbers were never impressive compared to other software systems. There were well in excess of 90 installations spread across the world. Outside the US, these were all airline reservations systems with the notable exceptions of British Rail, Corsican Ferries and Paris Bourse. This number has now shrunk to the low 60's and it is primarily the reservations systems that are disappearing. They are merging together or, in most cases, submerging into a larger and apparently more competitive hosting system. The US led this trend, as usual, and today there is not a single airline owned and operated TPF reservations system left in North America. Everything has submerged into Advantis, Galileo, Sabre, Shares and Worldspan. In the rest of the world this trend is unmistakable and seems to be accelerating. The announcement by both BA and Qantas that they were giving up on TPF and handing it all to Amadeus was a clear indication of this. Not only was it announced, it is also done. The BA BABS system was the grandfather of all IPARS systems in the world, so its disappearance was a severe psychological blow.

Now, I am not arguing the economics nor the business logic of this trend, what I am bemoaning is the reduction in diversity. From a business standpoint, it is clear to me why this is happening. The labour intensive nature of software development (on TPF or any other platform), the shortage of people with the TPF technical expertise combined with the industry functional knowledge, and the pace with which marketing departments expect to have new capabilities in place, make it impossible for all but the chosen few to keep up. Code sharing, through check-in, select seating, frequent flyers, e-ticketing, self-service, O&D, alliance integration, seamless service, CRM, Internet, trip tickets, etc., etc.: how is one supposed to keep up with all of this without a small army of extremely competent TPF developers costing an arm and a leg and mostly occupied with re-inventing wheels? The answer is simple: one cannot! Management's response is equally simple: then we'll give it to someone who (claims they) can!

Once a TPF reservations system is outsourced, the infrastructure dismantled and the accumulated expertise of decades dispersed to the four winds, there is no way on earth that it is ever going to be reconstructed...

"It does not pay a prophet to be too specific" some wise man said, but I would bet that of the remaining 30+ airline owned and operated TPF reservations systems on the international scene, some 50% will probably disappear well within this decade. Although the installations themselves may disappear, the reservations they handle do not: those transactions get absorbed by a bigger system. Hence, the total amount of productive work being done by TPF does not diminish: it just gets concentrated in ever fewer locations processing ever greater numbers of transactions. Since TPF can handle the numbers, everything is fine, right? Ultimately, the handful of reservations systems left over will all provide more or less the same functional capabilities at more or less the same minimum price (competition will ensure that?) and will each reliably process tens of thousands of messages per second. Thus we will have successfully achieved our subconscious goal: diversity will be reduced to zero. Not only will diversity be reduced to zero, but so will

innovation. The consolidation of reservations into a limited number of enormous systems will mean that no new technology would ever be able to compete and none of the owners of the surviving systems will want to rock the cosy boat they share. They will be very content with their perpetual licences to print money.

As T.H. White said in his brilliant novel “The Once and Future King”, life can only be understood backwards, but it has to be lived forwards (or words to that effect). I fear the same is true of human endeavour: only when we have long passed the point of no return will we begin to understand where we went wrong...

So, where do we go from here? Well, I do not think I am going anywhere. Later this year I celebrate my 60th birthday, will have been enthralled by and embedded in TPF for 28 years and you can't teach an old dog new tricks. Over the past 20 years many people have told me that I am stuck in a rut, to which I answer, “when you find the right rut, stick to it”. I shall remain an interested and active participant in the TPF community, sending out provocative e-mails to all and sundry as inspiration dictates and writing about the idiosyncrasies of the world as I see them. All the “TPF Killers” will have my undivided attention: sooner or later one of them might succeed, which in turn might cause a reversal of the consolidation trend that I so abhor. You are not rid of me yet.

TPF and the travel industry are fun: there's never a dull moment...

Bruce Taylor – Amsterdam, April 2002