

**Remarks for Sam Gilliland
Chairman and CEO, Sabre Holdings
International Aviation Club Luncheon
Washington, D.C.
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I. Introduction

Thank you.

Thank you, Natalie, for your kind introduction.

It is a pleasure to be here with so many esteemed colleagues, representatives of government, competitors and friends.

We come together today in the nation's capital at a critically important time for the U.S., for the global economy and for our industry.

The recent long-awaited passage of the Federal Aviation Administration reauthorization helps set the stage for real progress for our industry. Yet the challenges ahead are significant. They are not solved with the passage of one bill – much, much more needs to be tackled.

For much of the past half century, the United States had the extraordinary fortune of experiencing relatively steady economic expansion – a period of growth and shared prosperity extending from World War II through 2008.

While the nation did experience some downturns and recessions over that period, they tended to be relatively mild and short. The fundamental trend was always pointing in one direction: up. And the same was largely true for much of the developed world – and in past decades, the developing world, too.

But, as we all know too well, the economic crisis that began in 2008 – and which continues to this day despite some promising signs – has presented wrenching challenges.

Put simply, there are very few Americans who can remember a time when we couldn't count on the U.S. economy to power the job creation we needed... to provide a rising standard of living ... to build a stronger foundation for the future.

But that is exactly the situation we face today.

Robust economic growth is no longer something we can take for granted. It is now something we all need to think about with great care. And it's something we need to act upon.

I'll leave with others smarter and more expert than I the unenviable task of offering prescriptions for bringing the economy as a whole back to its feet. **But I do have one idea that I think can help and which everyone in this room can rally around: the travel industry offers a major opportunity for business and government to partner in a smart, strategic way. And that in doing so, we can spark in one giant corner of the economy exactly the kind of sustainable growth that is so badly needed.**

Specifically, I will talk about a few core areas where – if industry and government can truly work together – we can unleash billions of dollars in growth and tens of thousands of new jobs. We, in fact, can help fuel our nation’s economic recovery. And while my focus today will be on the U.S., it is important to note at the outset that the prescriptions I will discuss are relevant for countries around the world.

Of course, creating consensus and cooperation around these issues will be no easy task. Some are long-standing challenges that have been talked about and debated for years. But I strongly believe the travel industry and government can come together if we focus on our common ground: the consumer... what consumers want and need, and how we can best serve them. If we approach the issues from this vantage point - keeping consumers at center stage - then I believe we can develop meaningful solutions. We can drive progress.

And so as we think about consumers and what they want and expect from our industry, I think there are four big agendas that we can collectively pursue:

1. Affordability – travel must remain within the budgets of families and businesses of all sizes and backgrounds;
2. Convenience – while travel will always have some logistical challenges associated with it, the job of our industry – in partnership with government – must be to mitigate those hassles.
3. Safety – this one is obvious, but travel must remain as safe as possible, even as we work to put more planes in the skies and on the runways.

4. Finally, a Transparent Marketplace – consumers must feel confident that they are navigating marketplaces in which they can easily compare offerings from competing providers and choose the one that is best for them.

I'd like to take my time with you today to talk about this 4-point Agenda for Consumers – but first, it is worth taking a moment to simply remind ourselves of how the travel business impacts the U.S. economy – why it is such a crucial engine for economic growth, and such a vital lynchpin in our society.

II. The Positive Impact of Travel on Our Economy and Society

This is something I talk about all the time – and these facts and numbers are no stranger to any of you. But they bear repeating as we consider the road ahead. Again, I will focus here on U.S. data – but a similar story holds true globally.

- Travel and tourism is the largest services export industry in the United States. In fact, international tourists spent more than \$134 billion visiting here in 2010, according to the U.S. Travel Association.¹
- One out of every nine jobs in the U.S. depends on travel and tourism. Last year, travel and tourism supported 14 million U.S. jobs.²

¹ U.S. Department of Commerce, International Trade Administration Office of Travel and Tourism Industries: A Year in Review 2010, page 3 <http://tinet.ita.doc.gov/pdf/2010-year-in-review.pdf> ; U.S. Travel Association Fact Sheet, <http://www.ustravel.org/marketing/national-travel-and-tourism-week/talking-points-and-facts>

- Overall, the U.S. travel and tourism industry generated \$1.8 trillion in economic output last year.³
- Nearly \$800 billion of that was spent directly by domestic and international tourists – spurring an additional \$1 trillion in other industries.⁴

Here's another way to say it: for every dollar spent on travel, an estimated \$2.34 of additional spending cascades through the economy. With that sort of multiplier, the travel industry can not only provide a bump to the U.S economy – it can provide a shot of Red Bull.

And, as compelling as those figures are, there still is an extraordinary amount of untapped potential in travel and tourism. How do we unlock that value, injecting it into our economy and into struggling communities across the country? That is the question we must all be asking ourselves.

And the good news is that more and more people in industry and government are embracing this question and getting down to the hard work of answering it. That starts at the very top with the White House. President Obama deserves credit for his recent efforts to make travel a focus of his administration's efforts to spur near-term economic growth and job creation. His executive order

² U.S. Travel Association Fact Sheet, <http://www.ustravel.org/marketing/national-travel-and-tourism-week/talking-points-and-facts>

³ Ibid

⁴ Ibid

calling for a National Strategy on Travel and Tourism is a welcome step in the right direction – and indeed much of what I want to talk about today is part of the President’s vision.

And so it is with great confidence that we look forward in the hope that on even the toughest issues we can tackle the challenges head-on – no more delays and excuses – and we can do so in a manner that keeps the consumer top-of-mind.

III. The Need for Partnership Between Industry and Government on Energy Policy

So let’s start with Affordability.

As I said at the outset – and as we all know to be the case – if the cost of travel goes up, it quickly prices millions of people out of the market, forces businesses to tighten their travel budgets and generally harms the health of the industry.

And nothing more directly impacts affordability than the cost of energy. Our country needs a comprehensive energy policy because airlines desperately need freedom from being at the mercy of dramatic oil price volatility. If we do not solve this problem, continued fuel price escalation will result in more and more capacity coming out of the sky – meaning less choice for consumers, more expensive airfares, and less overall economic activity. As Airlines For America has estimated, every \$1 per gallon increase in the price of jet fuel costs the U.S. airline industry \$17.5 billion.

That doesn't simply mean a loss for the airlines' bottom line – it means fewer families are able to afford the cost of flying within the U.S., fewer tourist dollars flowing into our economy, fewer businesses able to send their personnel on critical trips. In short, that hit to the airline industry translates to a body blow to our entire economy, stifling job creation and growth.

That is why our nation needs a robust, comprehensive approach to addressing our energy challenges.

First, we need to make our nation's transportation system more energy efficient. That includes reforming the federal transportation infrastructure funding process, using oil consumption metrics to prioritize projects. Congress took a wonderful and welcome step forward with its passage of FAA Reauthorization, including funding for Next Gen air traffic control systems. I'll have more to say about this in a moment – but let me just note that a long, complicated road lies ahead from the funding of Next Gen through to its deployment – and we will all have to come together to push this process forward expeditiously. It is that important to the vibrancy of our industry.

Second, we must accelerate the commercialization of alternative energy sources. That means implementing a comprehensive program designed to rapidly commercialize vehicles that derive power from the electric grid. And we must also facilitate the commercialization of the next generation of non-petroleum, biomass-derived liquid fuels that are environmentally beneficial and do not compete with food supplies.

Third, we need to improve and expand federal R&D into alternatives. To make that successful we will need to reform the existing institutions and processes governing federal R&D spending for early-stage R&D and for later-stage deployment and commercialization.

Finally, we need to look at ways to expand domestic energy production, while preserving strong environmental protections. This last point is obviously a sensitive one – and it’s a topic that has often become politically heated. But I am convinced that working together there are ways to responsibly tap domestic supplies in a manner that is safe, respectful of the environment and consistent with a long-term effort to transition to lower-carbon alternatives in the future.

As government and business leaders, we must endeavor to break through the gridlock that has blocked a comprehensive energy bill from gaining traction in the past – it’s an imperative for our industry and for the entire U.S. economy.

IV. The Need for Partnership Between Industry and Government on TSA/Visas

The second great imperative for consumers is convenience. And few things add more unnecessary burdens and hassles for consumers today than the process of securing a visa if you are an international visitor, or navigating TSA security once you are within U.S. jurisdiction.

For tourists looking to visit this country, the U.S. visa system is not only inconvenient, but at times seems downright impossible. Instead of encouraging visitors to come to our country and spend their tourist dollars, we make the visa application process so onerous that many foreign travelers simply give up. That’s taking money out of the coffers of U.S. businesses, preventing

new jobs from being created, and sending it all to other countries and destinations that don't throw up these barriers

Consider: In the entire country of Brazil, there have only been four U.S. consular offices. That is a lost opportunity especially when you consider that Brazil's middle class is expected to surge 274 percent between 2010 and 2016.⁵

That is why the Obama Administration's recently announced steps aimed at helping to fix the visa system are so welcome. The Departments of Homeland Security and State are developing a plan to speed the visa application process for tourists from Brazil and China and we have every reason to believe that real progress is possible. Bloomberg reports this could create 1.3 million U.S. jobs and inject \$850 billion into our economy by 2020.⁶ In addition, the administration is calling for legislation to allow more countries to be added to the list of nations whose citizens can visit the U.S. without obtaining a visa. The White House is also looking to expand the Global Entry Program. This initiative requires an extensive background check for frequent travelers to and from the U.S.; however, once they have passed, they can clear the immigration lines at airports much faster – security officials will be able to simply scan their passport and finger prints, and approved travelers will be good to go.

All travel industry stakeholders should get behind these enhancements and encourage expansions to them. They are safe and they just make good sense. Our visa system must offer protection to

⁵ U.S. Travel Association, <http://www.ustravel.org/news/press-releases/us-travel-association-hails-national-strategy-boost-travel-and-tourism>

⁶ Bloomberg, "Tourism May Add \$850B with New Visas" January 31, 2012, <http://www.bloomberg.com/news/2012-01-31/tourism-seen-adding-850-billion-with-obama-s-new-visas-retail.html> [piece quotes U.S. Travel Association figures]

our country. But we have to view the travel experience through the consumer's eyes too – and enhance that system so that it offers convenience to those who want to spend money coming to visit the U.S.

Within the U.S. travel system, the TSA security apparatus is in need of similar improvements. Since 9/11 the nation has made the necessary move toward bolstering security. But far too often we have mistaken adding additional layers of security with enhancing the actual security of travel. Moreover, the reactive posture of much of our security apparatus means that every time a new potential threat emerges – such as explosives hidden in shoes, in clothing or as a liquid – an entire new layer of security checks is added. The result is that for the 99.9% of travelers who pose no security risk, the process of clearing security has become increasingly long, unpredictable and invasive.

We can do better. The leadership of TSA deserves a great deal of credit for adopting new techniques and new technologies to streamline the security process. Applying risk-based strategies that allow TSA to focus its attention on the small subset of travelers who require additional screening and away from those who don't... will make the travel experience more convenient, and safer, for everyone.

As anyone who has used the new Pre-Check program (formerly referred to as Trusted Traveler) can attest – it is truly a fantastic experience. Some have likened it to running naked in the wind... and while I can't personally attest to that experience... I can say that traversing the security checkpoint without removing shoes, jacket, laptop, or liquids is a freeing experience.

We can extend that benefit to more people – so that the security check goes back to being what it should be for the vast majority of us: a quick, painless, non-invasive process that ensures our security without ruining our day... it's the wind beneath our... wings.

And that, in turn, will make travel more attractive for consumers and a better engine of growth for our economy.

V. The Need for Partnership Between Industry and Government on Infrastructure and Air Traffic Control

The third item I would put on an Agenda for Consumers is safety.

To be sure, the U.S. civil aviation system is a model for safety. Indeed, the past years have seen tremendous achievements in safety – indeed, there has rarely been a safer way to travel than in today's air travel system.

But to maintain that level of safety within our current infrastructure, we are sacrificing potential capacity and efficiency. The real test for our industry is to be able to substantially expand the number of planes in the skies and on the runways without sacrificing an inch on safety.

And that means urgently addressing the need for improving both our air traffic control system and air travel infrastructure in general.

As I mentioned a moment ago, Congress deserves great credit for moving forward with funding the long-overdue "NextGen" Air Traffic Control (ATC) systems... I obviously wish it had happened much sooner. The fact that our ATC system is based on World War II-era technology is a costly and environmentally unfriendly imposition on our entire aviation system.

With Next Gen funding now approved, we need to make sure we don't take our eye off the prize. Making the funds available was only step one – and we know how long that step took! Now, we need to accelerate down the runway, ensuring that the FAA has the tools and incentives to move forward with timely deployment.

At the same time, making sure the travel industry has the proper infrastructure includes building enough airports and runways. And we need to make sure that this network is current, leveraging the latest tools and technologies. This is key to improving the safety, energy-efficiency and customer-service of our nation's aviation industry. It is long, long overdue.

Importantly, as we look to make these much needed investments, we are treating them as just that: investments. Building and expanding air travel infrastructure pays off for the entire economy. It is, therefore, unfair, impractical and just bad economics to pile taxes and fees onto air travelers. Already, air travelers pay substantial taxes and fees to offset the costs of the air travel infrastructure. It would be a huge mistake to add on top of these, additional taxes aimed at plugging other budget holes. To do so would be self-defeating. The best path to tackling budget

challenges is growing the economy – and that purpose is ill-served by taxes that act as a disincentive to travel.

IV. The Need for Partnership Between Industry and Government on Protecting the Marketplace

The final issue I submit needs to be on our Agenda for Consumers is one that has divided our industry, and that's the issue of a transparent marketplace. I recognize that many people here today may not agree with my opinions on this score. But I hope you will hear me out, as I believe we will succeed together when we look at this from the consumer's perspective, and hopefully when we find common ground.

Consumers have made it very clear that they want two things when it comes to shopping for and purchasing air travel: an easy way to find the best route or deal, and full, up-front transparency when it comes to cost. That means being able to efficiently compare offerings from competing airlines in the most apples-to-apples, all-inclusive manner possible.

That does not mean reducing air travel to a commodity product.

Airlines should be able to tailor their product to the individual flyer with offers on ancillary products ranging from seat assignments, to priority access and everything in between – that choice is good for the airlines and for consumers. But that value proposition falls apart for the consumer if it comes at the expense of easy comparison shopping.

That is why I am so passionate about working with our fellow industry stakeholders toward solutions that preserve and enhance the efficient marketplace, all – and let me stress this again – while allowing airlines’ the flexibility they need within that construct. We at Sabre are committed to doing our part. We continue to make huge investments to continuously upgrade our technology so airlines can seamlessly incorporate their customized offerings into this travel shopping marketplace – whether it is for preferred seating, checked bag fees, priority access, or any other ancillary products. And at no incremental cost to airlines.

We also are confident from our work with travel agencies, travel management companies and corporate travel departments that there is plenty of good will out there to embrace these customized products. But we cannot sacrifice their ability to see and manage the total cost of travel during the booking process.

Despite the controversy that has surrounded this issue, I continue to believe there is plenty of common ground.

I believe we all share a common commitment to competition.

I believe we all share a common commitment to transparency.

I believe we all want to protect a marketplace that gives consumers confidence to shop and purchase. This is a period of transition for the industry, and it is to be expected that such shifts will generate healthy debates about the best way forward.

I submit that the best way to clear the confusion is for the Department of Transportation to help by moving forward with rules that would establish a fair, level playing field for all airlines.

Under such rules, airlines would have the freedom to choose to sell their products through any channel they deem appropriate for their business. And within those channels that an airline chooses to sell, they would be required to provide pricing on their core service offering, most notably the base ticket, bags, preferred seating, and boarding priority.

Under this system, airlines get the benefit of competing on a fair, level playing field. And the consumer would have the value of comparison shopping protected – and their confidence in the airlines validated – even as the industry continues to evolve.

This is a complex issue. But, again, I believe, as a baseline, we must focus on what our customers want and need, understanding that having a simpler way to gauge their overall travel cost makes for a better customer experience – and ultimately for more customers, traveling more frequently. As I said earlier, it just makes good sense.

Section 6: Conclusion

As we look forward, there will certainly be many more issues where – as industry stakeholders – we have both shared... and differing points of view.

But I end with a call to all of us: we can no longer allow our disagreements to derail our progress.

The last decade has been an extraordinarily challenging one for the travel industry, for the U.S. and global economy and for travelers everywhere. Between 9/11, the unfounded fears of SARS and avian flu, and the devastating financial crisis that continues to weigh on the economy – it has been a time of great anguish for business and society.

However, the travel industry – and all those who legislate and regulate travel – have a chance to make a profound and positive impact.

Right now, today, the travel business has vast untapped economic potential. If everyone in this room works together, we can find solutions to the challenges that have held us back in the past. We can work through roadblocks we once found impenetrable. And we can make travel more affordable, more convenient, safer and more attractive to consumers than ever before.

At the beginning of my remarks, I said that we meet today at an important time. Let's make this moment an opportunity for the travel industry to stand tall and drive progress for everyone. Let's resolve to work together to help power the travel industry forward, restore the economy, and to create new jobs and new hope for the American people and for people the world over.

I have said it before and I will say it again: travel is good. This is our industry's time to do good – for all our stakeholders... but most importantly for consumers.

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