

**Oral Testimony of Thomas Klein, President, Sabre Holdings**  
**House Committee on Ways and Means, Subcommittee on Trade**  
**September 20, 2012**

**INTRODUCTION**

Mr. Chairman, Congressman McDermott, and Members of the Committee: thank you for the opportunity to testify today. My name is Tom Klein and I am the President of Sabre Holdings based in Southlake, Texas.

**Background on Sabre Holdings**

Sabre Holdings is a software and electronic distribution services company serving the global travel industry. We employ about 10,000 people – 4,500 in the United States – and do business in 135 countries around the world. Most of you probably recognize our leading online consumer travel brand: Travelocity.com. We help airlines be more efficient – and make it easier for travelers around the world to visit the United States, where tourism and business travel dollars work to strengthen our economy – and count as exports.

Although we are a mid-sized company, we believe that we can compete with anyone in the world, and we have focused intensely on the international market. In our fast growing software businesses, in 2001, just 12% of our revenues came from international markets. But we invested heavily to build out our global capabilities. It took time and it took money – but we have seen the results. Today, 65% of our revenues from those businesses come from international markets, and we expect that number to increase to 75% by 2015.

We are meeting this global demand by creating many new high paying jobs. Since the beginning of 2010, we have added over 1,400 positions globally, with more than 800 of these jobs based in the United States. The average American technology worker at Sabre makes \$87,000 per year.

Yet as innovative and world-class as our software services have become, the international playing field is not always level. It is often tilted, and in those cases we find it difficult if not impossible to compete.

## **SERVICES LIBERALIZATION**

We all know that we need to update our international legal framework for services. The WTO's General Agreement on Trade in Services is over fifteen years old. In that time, we have seen the travel industry change dramatically. More than ever, individuals are searching for and booking travel online, and the biggest growth in consumer-driven travel is outside the United States.

Yet, the trade rules have not kept up. Governments take advantage of this vacuum to create protectionist measures that stymie competition. An international services agreement is a strong step in the right direction. Taken at its fullest potential, a high-standard agreement will lower barriers in important markets, create much-needed pressure on other countries that are not participants, like China, and help generate momentum toward liberalization more broadly at the WTO.

Such an agreement has the potential to help our company in a number of ways.

## **Transparency**

One important benefit that a services agreement may offer is increased transparency. The more countries play by the same rules, and the more we know about and have input into those rules, the easier it is to do business, and to resolve disputes when they arise. FTAs have traditionally included strong transparency provisions – for example, requirements that countries publish regulations in a clear and timely manner and consult with stakeholders. Replicating these successes on a larger scale would only benefit American companies, small and large alike, doing business overseas.

## **Discriminatory Licensing**

One challenge for companies like ours is that countries often deny operating licenses to foreign companies in order to protect their own domestic enterprises. For example, China's state-owned travel distribution monopoly, TravelSky is the only company licensed to provide passenger reservations systems and airport departure control systems in that country. Foreign competitors, including Sabre, are simply shut out.

## **Data Flows**

Another challenge for our industry is what we call “Big Data” – how to store, search and access huge amounts of data in a way that is timely and useful for consumers.

In a global environment, having control over how this data is stored, distributed, and used is critically important to our business – and our customers. An agreement that ensures data can flow freely across borders would be a powerful tool.

## **The Chile FTA – A Success Story**

The value of trade agreements is proven by Sabre’s experience in Chile. We have had tremendous success in Chile, including with LAN Airlines, which recently chose Sabre as the airline’s reservation and operational systems solutions provider. Our presence in that country before the FTA was much smaller, with a European competitor dominating the market.

After the FTA was signed, the Chilean government put out an RFP requiring that any bidder use our European competitor’s automation

services. We brought this violation of the FTA to the attention of the Department of Commerce. Within a matter of two days, U.S. government officials communicated the concern to Chilean authorities who acknowledged the violation, and fixed the RFP. It was breathtaking how well the process worked.

What's more, when we looked at the numbers, we also saw a significant increase in visitors to the U.S. from Chile following enactment of the FTA. That means more travel and tourism dollars going into our local economies, helping create jobs here at home.

## **CONCLUSION**

Mr. Chairman, thank you for holding this hearing today. As was reported yesterday, the travel industry has been and continues to be one of the strongest job creators in the current economy. Our view is that a high-standard international services agreement would only help to continue this positive trend. I look forward to your questions.