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“TOURISM IN TROUBLED TIMES”
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Chairwoman Klobuchar, Senator Martinez, Members of the Committee, my name is Sam Gilliland, and I am Chairman and CEO of Sabre Holdings, the world's largest travel distribution company. Among our businesses are the Sabre global distribution system, which powers corporate and leisure travel agencies, and Travelocity.com, the online travel company that gives consumers the opportunity at any time, day or night, to find and compare amazing travel bargains in the U.S. and around the world. Today, I'll share with you a sampling of these deals that I hope will push Americans out of their nests and back into the air to destinations both here and abroad.

Travel is Good

At Sabre, we firmly believe that "Travel is Good." Let me tell you what the button I'm wearing means. Travel is good for the economy and for business, it's good for our nation's jobs, it's good for our states and our local communities, it's good for connecting us with our families and friends, and it's good for understanding and enjoying the many diverse cultures and peoples of the world. Travel is good

for America, Madam Chairwoman. But the state of the travel industry in America today is not good. I hope we can leave this hearing today dedicated to making it better together.

For every dollar spent on travel, the US Travel Association (of which Sabre is a member) estimates that \$2.34 of additional spending cascades through the economy. With that sort of multiplier for a sector that represents \$740 billion in spending each year, travel and tourism can provide not just a stimulus, but a jolt, to the U.S. economy if Congress and the Administration were to put policies in place that help, rather than hinder, its recovery.

I've attached to my testimony a listing of some of the most compelling offers available in 2009 – what we're calling "The Year of the Travel Deal." When you and your constituents are ready to take that vacation, to a theme park, National Park or beach via cruise, air or car, Travelocity has some of the best values on the planet at prices straight from the 1960's. They include:

- Orlando theme parks from \$34 a night with free admission for kids.
- Alaska cruises for \$47 a night.
- Hotels near Glacier National Park in Montana at 35% off.
- Puerto Rico discounts combining \$200 off air+hotel packages and a night free for every three paid nights.
- \$400 discounts on Bermuda hotels and packages.

All of these deals, and many more, are offered on Travelocity.com, along with their applicable terms and conditions. That's the good news.

But here's the bad: The remarkable online consumer deals and prices found in the marketplace today must be put in context. They are not likely to be around for long. Eventually, just as airlines have opted to park airplanes in the desert rather than operate them at a loss, hotels and resorts and cruise lines will eventually reduce their inventory of properties and ships if they cannot realize an acceptable return on these assets; and in fact we're already starting to see that occur. Put another way, for our industry to regain its footing and stimulate the economy as we know it can, it first has to achieve economic sustainability.

That's a term that resonates for me, as I serve as the Chairman of the Economic Sustainability Subcommittee of the U.S. Travel and Tourism Advisory Board, a group of travel industry executives appointed by the Secretary of Commerce to provide him with policy guidance. Our group will tell Secretary Locke in its final report that there is much work to be done to achieve economic sustainability in the travel and tourism sector. That's also the message I'd like to deliver to you today.

Here are some of the sobering year on year booking trends we are seeing in the travel and tourism industry:

- The volume of domestic air travel and hotel stays made by corporations are both down nearly 20 percent, with airfares and price of hotel stays down seven percent.
- The volume of domestic air travel for leisure is down almost five percent and average airfares are down 10 percent.

Behind these numbers are legions of people -- your constituents and our industry's employees -- whose jobs have either been eliminated or are at risk. At one independent Chicago hotel, the front desk staff was recently cut in half and the reservation and revenue teams were eliminated with the exception of one director. Nearby, a midsize chain hotel conducted major layoffs, and for those employees who remain, the hotel has eliminated 401K matching and imposed salary cuts. This is typical of what is happening around the country.

Also travelers, whose rear-ends are not in airplane seats and whose heads are not in hotel beds, are not bringing their tourism dollars to spend on dinners, taxis, theater tickets, tips and more. Taken together, these statistics, which feature many double digit declines in volume and price, paint a picture of an industry with unsustainable economics that is contributing far less than it could to the recovery of the U.S. economy.

Our country and the world are on sale because the travel and tourism industry is reeling from a perfect storm of crisis, fear and ignorance. In recent months,

we've experienced the worst economic downturn in 80 years; a swine flu outbreak that is serious and demands precaution, but has spawned an "infodemic" that has led to unhelpful panic; unstable fuel prices that were a major factor in leading airlines to park aircraft that would otherwise be productively flying people to meetings and conventions in Las Vegas and Orlando; corporations that are fearful they will be publicly criticized for holding legitimate meetings and conventions, which are proven and effective business tools; and a crumbling U.S. aviation infrastructure that, as Chairman Rockefeller memorably reminded us, currently ranks behind Mongolia's.

This does not have to be so. From a policy perspective, there are several key and often inter-related initiatives that will help us out of our malaise and, therefore, require your urgent attention. They include energy policy, air traffic control modernization, environmental policy, and Treasury travel guidelines.

Energy Policy

We must reduce American dependence on foreign oil and provide incentives for alternative energy research and deployment. Today, there simply is insufficient competition to petroleum-based fuels -- oil has travel and tourism "over a barrel." We're seeing encouraging work in developing alternatives to jet fuel for aircraft engines as well as alternatives to gasoline for automobiles, but more needs to be done to expedite this work for the sake of our nation's security and prosperity.

The International Air Transport Association (IATA) has established a 10 percent target for alternative jet fuels by 2017. Recent tests by Continental Airlines, JAL Airlines, Air New Zealand and Virgin Atlantic Airlines prove that next generation sustainable biofuels (such as algae, camelina and jatropha) work, and there is even a possibility for improved fuel efficiency. Certification for some of these fuels by 2010 or 2011 is a real possibility, but much more work needs to be done to bring these fuels into commercial production.

Currently, there are many viable alternatives to gasoline to power automobiles, including ethanol, methanol, plug in hybrids and more. We need to require car-makers to equip more vehicles with flexible fuel converters, which will create an incentive for those who would bring alternative fuels to market.

Our objective isn't necessarily to eliminate oil as a transportation fuel, but to provide incentives for viable competition to it. The potential benefits of alternative fuels are enormous, including up to an 80 percent reduction in emissions over the fuel's life-cycle and increased energy security for our nation. A biofuel industry could also be a major generator of employment and wealth for the U.S. and the developing world, and that's why I'm supportive of your efforts, Chairwoman Klobuchar, in S. 835 to drive open fuel standards for automobile manufacturers.

The nation's airlines and airports, in a very real sense, are the key parts of a transportation grid that is every bit as vital as the power grid to our national economy. When you get right down to it, energy and travel and tourism are closely intertwined. Without access to sustainable – by which I mean predictable, abundant, affordable and environmentally sound – energy to move business and leisure travelers as well as goods to their destinations, our industry could not exist. And this applies not only to airplanes, but also to cars, buses, trucks, ships and trains.

Last summer, oil prices skyrocketed, reaching a peak of \$147 per barrel in July 2008 and were the subject of much debate in the Senate. These soaring oil prices threatened the U.S. economy, and our nation's airlines and airports were in an especially precarious position. Fuel jumped ahead of labor and equipment costs to become the number one airline expense. Data showed that if these soaring costs did not abate, we would soon see major U.S. airlines fail and many more U.S. airports close, and in so doing, threaten our primary means of intercity transportation, millions of jobs and our American way of life. To stay alive, airlines began cutting capacity in September 2008 to levels that were last seen in 2002 when they were trying to recover from 9/11.

Since then, the price of oil has fallen dramatically – at one point to the mid \$30s per barrel, and currently hovering just below \$60 per barrel. However, while the acute crisis of massive energy-related failures has temporarily abated (largely

because the worldwide demand for oil has dropped dramatically in step with the global financial crisis and recession), the chronic problem of wildly fluctuating oil prices remains unsolved, and in time will once again devastate travel and tourism – and jeopardize our national security and broader economic well-being – unless we demand and secure a sound energy policy from the current Administration and Congress.

I'm encouraged that energy policy is one of President Obama's announced policy priorities, and significant funding for R&D tax incentives for alternative fuel figures prominently in his proposed budget. I support these initiatives; they must remain a priority. We must insist on a comprehensive U.S. energy policy that will, among many other benefits, deliver travel and tourism from its current unacceptable and unsustainable situation.

Air Traffic Control Modernization

Lost in the debate about funding the long-overdue "NextGen" Air Traffic Control (ATC) systems, is the astonishing and sad fact that the navigation systems used in cars and mobile phones today are light years ahead of the technology used in our nation's ATC systems. Modernization of the U.S. air transportation network cannot wait any longer – it is a bankable way to achieve much needed energy, environmental and customer-service improvements for our nation's aviation industry. "NextGen" must become "NowGen." I am pleased that the Senate's Aviation Operations, Safety and Security Subcommittee is holding a hearing on

FAA Reauthorization later this afternoon, in which perspectives on industry participants will be heard. I expect “NowGen” will be a focus.

We can no longer afford inaction. Even with lower traffic volumes, U.S. air space continues to be overcrowded in many places, causing costly flight delays and forcing airlines to operate inefficiently. This adds unnecessary expense for both airlines and the travelling public. Despite significant advances in available modern-day technology, our airlines are forced to find their way using ground-based navigation points, a method that is only a few small steps ahead of where we were in the early days of aviation, when railways and bon fires were used for air navigation. The radar system used today to guide U.S. flights is more than 40 years old, which may help explain why nearly one-quarter of all those flights are late. If we do it right, ATC modernization will:

- Allow all airplanes to fly more direct, efficient routes, significantly reducing fuel burn and CO₂ emissions,
- Reduce congestion and open up access – more flights – in crowded airspace,
- Reduce flight delays and inconvenience to passengers and shippers,
- Create or save 77,000 jobs, and
- Be transformational for the broader economy.

“NowGen” MUST become a national priority, not only in words, but in action.

There are enormous benefits that flow from timely action, including an improved

transportation infrastructure and economic stimulus as well as positive impacts on the environment and, of course, on travelers. It will also encourage, rather than impede, sustainable growth in the airline industry.

In these troubled times for the tourism industry, all industry participants should be committed to working with Congress, the Administration and, most importantly, each other to ensure ATC modernization will be done early, right and in a way that transforms air travel in this country and keeps the U.S. competitive on the world stage.

Environmental Policy

We must establish policies to reduce greenhouse gasses that threaten our environment, and insist that the burdens of such policies take into account the international dimensions of the problem, and be fairly shared so they don't fall disproportionately on the travel and tourism industry.

In particular, we must not unfairly scapegoat the airline industry, which has done much to make itself more energy efficient as a matter of economic necessity.

U.S. airlines have a longstanding commitment to improving fuel efficiency and, therefore, reducing their carbon footprint. Since 1978, the Air Transport Association reports that its member airlines have improved fuel efficiency by 110 percent, which has resulted in significant reductions of CO₂ emissions. The airlines' impact on the environment is relatively small: airlines today account for between two and three percent of the world's man-made carbon emissions.

As legislation concerning carbon emissions is considered, it's important to simultaneously pursue global approaches to aviation emissions to ensure fairness and equity to all participants. If revenue related to carbon emissions is raised from the commercial aviation industry, it should be re-directed back into aviation-related environmental and efficiency improvements. Further financial burdens on our economically challenged industry must be weighed with extreme care to avoid negative impacts, not only to the airlines, but also to the cities and communities they serve and the jobs they generate.

Treasury Travel Guidelines

Paralyzing confusion abounds in our industry, and in corporations, about what the Treasury Department considers “luxury” and “excessive” expenditures in the area of business travel. Meetings, conventions and incentive travel are proven business tools that allow companies to establish valuable relationships, solicit feedback and reward employees. Of course, these tools must be used responsibly by all corporations. Unfortunately, given the state of uncertainty, many companies are opting not to engage in any form of business travel, even when that means forfeiting large deposits and foregoing important business opportunities. This makes no sense at all. Many of these companies are customers of our company, and because we provide travel policy automation solutions to them, many have asked us for guidance.

Sabre's GetThere division is in the process of developing a formal education and consulting solution for corporations, which will focus on managing corporate

governance and compliance, reducing unnecessary travel and driving accountability. We intend to be part of the solution that will help all companies make wise travel decisions. However, the Treasury Department needs to do its part in giving clear, specific guidance to our industry. I understand that Treasury is expected to weigh in soon in this area, but it is not clear how detailed and satisfactory this guidance will be.

I urge this Committee to watch these developments carefully and encourage Treasury to stem the continuing confusion in the marketplace about which travel policies are acceptable and which are not. Travel and tourism cannot absorb further paralysis and retrenchment based on fear of criticism and negative publicity. Treasury should provide a framework, and with it peace of mind, so all businesses can confidently conduct legitimate meetings, events and incentive travel.

The US Travel Association has developed such a framework that has been widely supported by our industry. A timely endorsement of these model guidelines by the Treasury Department would provide businesses with the peace of mind they require.

Conclusion

Our troubled industry has a number of pressing problems that demand urgent action in Washington. Energy, infrastructure and environmental reforms should

be included at the top of the priority list. These issues are intertwined and therefore making a positive difference on one will lead to positive differences on the others. Glenn Tilton, CEO of United Airlines, put it best when he said that these reforms create and complete a “virtuous circle.” Moving forward with ATC modernization reduces demand for fuel and, thus, the carbon footprint of our industry. If we can move forward on finding solutions to these problems, we will take a giant leap toward economic sustainability.

We must also give corporations the confidence that they can once again hold business meetings and conventions in order to achieve their corporate objectives. Timely guidance from the Treasury Department, in the form of an endorsement of the US Travel Association’s model guidelines is urgently needed.

The storm clouds that have been hanging over our industry do have a silver lining. They provide an unprecedented opportunity for our industry’s participants – airlines, hotels and resorts, car rental companies, cruise lines, technology providers, travel agents, tour operators, convention and visitor bureaus (CVBs), union groups and corporate and leisure travelers – to come together to look for ways we can cooperate and make a difference on major policy issues that impact not just some of us, but all of us. As the largest industry in the world, we are an inherently powerful, but historically fragmented, industry. But I believe we are realizing that we can have an impact that befits our importance when we work

more closely together and with policymakers who understand our role and want to help us succeed.

It is an honor to be invited here today to speak to you about tourism in troubled times, although I am looking forward to the day when I can come back and speak about tourism in stable, if not booming, times. I hope this hearing proves to be one of the watershed events that helps put our industry back on the flight path toward a better future. Chairwoman Klobuchar, I commend you for taking the time to hear from our industry. Your interest is strong validation that travel and tourism is vital to our country and its prosperity.

The impact that Congress and the Administration can have on the health of travel and tourism is profound, not just in the legislation you pass, but also in the signals you send, particularly now. Words do matter, especially when they come from our leaders in Washington. As you speak about this industry and consider policy matters that impact our recovery and well-being, I encourage you to act deliberately and remember that “Travel is Good” for America. Thank you again for the opportunity to testify today.
