

SECRETARY OF TRANSPORTATION ANDREW H. CARD, JR.
THOMAS COOK TRAVEL'S ANNUAL BUSINESS TRAVEL SYMPOSIUM
NOVEMBER 10, 1992
BOSTON, MASSACHUSETTS

Thank you, Linda Paresky (Vice Chairman,
Thomas Cook) ... And thanks to Thomas Cook
Travel for sponsoring this symposium. [Florida -
Association with George Bush - AHC as transition
head]

Given its size, diversity, and importance to
national economies everywhere, the travel industry
in all of its elements has enormous potential to
influence the direction of aviation policy, both here
and abroad.

You have a tremendous stake in international
aviation policy. It is you who provide the steady
base of passengers that support the world's
airlines.

And it is you who must answer when air service doesn't meet your company's or customer's expectations. Your success clearly depends on the availability of a strong and competitive air transport system, both domestically and internationally. To achieve the theme of this conference -- maximizing value in corporate travel - - requires your attention to the critical opportunities that lie before us -- opportunities that hold the promise of a robust and exciting future for the air travel business. But, despite the best efforts of this Administration, that future is not assured.

Unless we all work together actively to support more open aviation markets everywhere -- unless governments everywhere know of our commitment to expansion and competition in international aviation markets -- we face the very real possibility of a new surge of regulation by foreign governments.

The travel industry has been an active participant in the success of airline deregulation here at home. Now the challenge is to translate that success into "open skies" -- an international aviation marketplace based on the principles of free trade, not government regulation. Simply put, open skies is the U.S. government's effort to spread the benefits of a deregulated environment to countries around the world.

Before we go any further, let me make it clear that I am a realist about the state of the airline industry. It's an industry hit by the most devastating losses ever. Some people think that the current financial picture is the product of too much domestic competition. It isn't. Airlines all over the world are in rough shape too -- even those largely insulated against real competition by government protection. Air France and Iberia have had to seek huge subsidies. Lufthansa is staggering under unprecedented losses. Even the Japanese carriers are seeing red ink -- a new experience for them. Clearly, the current economic state of aviation is not a problem confined just to the United States.

Nor are its effects confined to the airlines.

The travel management industry, travel agents and corporate travel managers have felt the pain too.

Last summer's fare wars are still vivid in all our minds. Decreasing ticket prices increased your workload as customers sought rewrites at lower fares, and profits were hard to find on reduced commissions.

But, I'll bet there probably isn't a person in this room who doesn't know and understand that things will get better -- that a turning point will be reached, and when that happens, the successes of deregulation will pull the aviation economy to greater heights.

Even Wall Street and the academic community generally seem to agree on the cyclical nature of the airline industry and the success of deregulation.

Deregulation in 1978 brought a decade of so many bargains and so much choice that consumers and smart business travelers turned to travel agents and managers to find the best bargains. The travel management industry was in a state of constant growth in the 80s, with agents and managers exercising the freedom to negotiate the best deals for their customers.

Thanks to deregulation, U.S. airlines have become the world's most efficient and most competitive providers of air service in the world. And that's good news for consumers.

Our business travelers get to their destinations in a timely way. The hub and spoke system has organized the aviation market so that more connections are made to more places than ever before. More people are flying more safely than ever before.

U. S. airlines have consistently been the innovators in the business, whether in technology, service or marketing. Don't let their current financial performance dissuade you; our airlines continue to set the standards for the rest of the world.

Government has helped too. And we continue to look at how we can help increase convenience and encourage innovation.

We've recently adopted new rules that guarantee equal treatment for all airlines in use of computer reservation systems. These systems are the lifeline of your business. The new CRS rules include measures to promote competition in the industry. They require vendors to participate fully in all other systems. This helps prevent the handicapping of rival CRSs. The rules reduce the minimum contract period from five years to three years. The rules outlaw automatic contract renewals and minimum-use clauses. They guarantee agents the right to connect to CRS hardware or software supplied by third parties. And they permit an agent to access more than one CRS through a single terminal.

Cooperation between government and industry has encouraged innovation and resulted in the introduction of new technologies. Machine readable passport and palm print readers will speed the movement of passengers through customs and immigration. Streamlined procedures such as preclearance and frequent traveler identifications should help your customers move with greater ease.

Domestic deregulation has benefited our economy, your industry, your clients and the businesses they represent. And it has made our airlines the most competitive in the world. Now we hope to share those benefits with travelers around the world.

As you all know we initialed our first "open skies" agreement with the Netherlands in October - an agreement that has enormous implications for the future of international aviation. It is the first. There will be more. The Bush Administration has proposed opening up our skies to any country in Europe willing to grant our airlines the same access. The day of protected markets is over in this country and it ought to die internationally as well.

But today we are at a crossroads in international aviation policy. Down one path, clearly visible lies an aggressive pattern of liberalization. If the world moves in this direction, more nations will embrace open skies.

Competition will flourish, consumers will benefit, and national economies everywhere will reap important dividends.

The Bush Administration has sought to encourage America's trading partners to embrace this exciting vision. In addition to the dramatic new agreement we signed with the Netherlands, we are also negotiating a similar agreement with Canada. Cities throughout America are clamoring for better service to Canada, and it is my hope that we can reach an agreement. We are also negotiating this week with Britain toward the liberalization of our most important overseas aviation market.

But it would be a mistake to ignore the forces pushing aviation policy in precisely the opposite direction -- toward more restrictive agreements and even greater protectionism.

The French have renounced our current aviation agreement and soon we must negotiate a new one. Last week the chairman of JAL called for a new, more restrictive aviation agreement with Japan.

I cannot express too strongly my hope that the world will reject this kind of thinking. Many airlines are already pursuing innovative new strategies based on new partnerships.

I need only mention three important transactions currently pending before the Department of Transportation: the proposed British Airways investment in USAir; a new and more comprehensive partnership between KLM and Northwest; and a proposed investment announced just yesterday by Air Canada and some other parties in Continental. Very clearly, the airline industry is moving in the direction of true globalization.

In the upcoming months and years, fundamental decisions must be made that will greatly affect the health of international aviation. The choice lies between open skies and closed markets. It is my conviction that nations will ultimately choose the path of open skies.

Consumers everywhere should accept nothing less.

You, as representatives of those consumers, can be effective in working with your counterparts in other countries. Pass an important message to their governments: protectionism in international aviation is not good for your business and indeed for economic development itself.

Tell your counterparts overseas just what capacity limitations will do -- reduced tourism, fewer cars rented, fewer hotel rooms reserved and fewer restaurant patrons.

As travel professionals, let your voices also be heard. These transportation decisions vitally affect your interests.

Remember, when a government regulatory agency decides to reduce flights across the ocean by 10 percent in order to protect the national carrier, it is as though a bureaucrat walked into your office and confiscated 10 percent of your inventory.

If you take up this challenge to help open markets, few governments will be able to ignore the larger meaning of their decisions about international aviation.

Thank you very much.

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