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Los Angeles, California  
July 28, 2008**

Good afternoon! It's great to be back with all of you again.

I'll only take a few minutes of your time today as I know I'm just the opening act for today's headliner, Craig Ferguson, the host of "The Late Late Show".

And given that Mr. Ferguson is from Scotland... I thought I'd quote a perhaps more serious chap from his homeland, Robert Louis Stevenson, who said: "I travel not to go anywhere, but to go. I travel for travel's sake. The great affair is to move."

Now, I imagine many of us would say that "moving" or travel is not quite the affair that it once was. In fact, since 9/11, simply moving through the airport has become downright challenging, flights have never been more packed, many runways are miserably congested... and don't even tell me that you're going to divert my flight to Oklahoma City because of thunderstorms in Dallas.

But let's contrast that to a few years back... in fact... I'll take you back for a moment to the 60's, 1967 in fact, when I was quite young... on vacation traveling cross country in a station wagon with my parents and three older brothers. Six of us in an unconditioned station wagon for weeks on end. Now THAT was a living hell.

So... I'm actually very thankful that air travel has become accessible to nearly everyone in the four decades since then. And that it's become incredibly convenient, even now... even with some more recent inconveniences.

Last year I came to this conference from Beijing, and then headed off directly to Moscow. That trip was a mix of business and leisure travel, but in either case it's safe to say that I love to travel. And I would have never thought 40 years ago, that such a trip was even possible. It wasn't even imaginable to travel such distances.

But there is no better way to connect with people... whether that's better understanding another culture and its history, sharing perspectives with an

important customer, or closing a business deal. Travel is the lifeblood that connects nations, people, and businesses.

Regardless of the intention, though, the ability “to move” has increasingly become more challenging.

I suspect that’s why so many of you are here today... I know you’re challenged by your company to do more with less. Or at least to do the same with less. I’m certainly challenging my company to do that!

And while that may feel like a tremendous pressure some days, I encourage you to seize these challenging times as an opportunity to show your company the true value you deliver. The spotlight that this economic environment shines on the travel management discipline provides a fantastic opportunity to showcase how travel technology and customer service – when deployed intelligently and efficiently to serve your company’s travelers – can drive the achievement of corporate strategy and objectives, even as money is saved and corporate policy is enforced.

Despite the grim headlines about the economy and even the travel industry in the media, the number of people in this room speaks volumes about the undeniable fact that business travel will continue to be a driving force in our economy.

In fact, according to research issued last month by American Express and *CFO Magazine* affiliate, CFO Research Services, three-quarters of finance executives around the world expect both domestic and international travel to increase or stay flat over the next year.

Now... here I suppose is the more challenging part. That same research confirmed companies are looking to “get more with less.” Despite the expectation of flat or increasing travel, many of those same execs indicated their companies would spend less on travel. The study concluded that, with regard to “indirect purchasing” – which includes travel and entertainment – companies are being strategic in how they approach spending reductions... and they’re redirecting resources to areas they deem essential to their companies’ growth.

You can play a critical role in aligning your travel procurement programs with the strategic priorities of your business. If, for example, your business' strategy is to grow operations in emerging markets such as China or India, how do you build your travel procurement program to support that growth? Or, if your company needs to bring in a significant number of recruits to interview for open positions, yet also needs to improve its cost structure, how do you meet both, seemingly conflicting needs? I'll give you an example of how some companies are addressing that in just a minute. But I know I'm not telling you anything new here... you already know how important it is to align your programs with your businesses' strategies.

There are a few other important ways you can make a difference...to your company and the travel industry overall... and that's what I'd like to leave you with today.

### **Fuel issue**

I can't think of anything more pressing in our industry right now than the meteoric rise in the price of jet fuel over the past year and the impact it's having on the airline industry. On this day a year ago, crude oil was trading at roughly \$75 per barrel, compared to about \$125 per barrel today. If you

feel the urge to throw up every time you fill up your tank at the gas station, imagine the retching sounds coming from airline CFOs when they get their fuel bills.

We've been very focused on this issue the past three months – not only because the airlines are large customers for Sabre, but because they are the power grid... the infrastructure that drives so much of the travel industry and really, our entire economy. It's important that we continue to have a vibrant, travel industry... and, by definition, that means we need airlines that are healthy and successful, rather than fighting every day for their very survival.

Now... I imagine some in the industry have little sympathy for the airlines, and I suspect that includes some in this room. At Sabre, we've long been an advocate for balance in the industry, and this certainly is a time for industry solidarity. We rarely speak with a singular voice.

We've seen nine U.S. airlines go out of business already this year, and there are predictions that most of the U.S. airlines will be in bankruptcy by the second quarter of next year if something isn't done about the price of fuel.

Airline customer service has become the brunt of late night talk show hosts perhaps even by our friend on The Late, Late Show. And you may have seen the headline last week: “NYC Lawyer Suing Airline Over Stressful Flight”... asking for \$5 million dollars claiming the carrier’s indifference left him stranded in Paris last October during an airport workers strike. I’d like to get him and a few hundred of his class action lawyer friends on a one way trip to... somewhere.

I’m not suggesting that airline customer service doesn’t need improvement, but much of the responsibility and accountability lies elsewhere. Airlines are now facing the greatest threat in their history, far greater than 9/11, due to exorbitant, crippling fuel prices. We’ve grown accustomed to criticizing the airlines, but with few exceptions, they are well managed companies under extreme pressure from forces over which they have little, if any, control.

So... let me lay out a few of the facts...

The airlines have done a great deal over the last 30 years to employ measures that have dramatically improved fuel efficiency. In fact, I’m pretty

sure they've far exceeded the results of any other industry. An Air Transport Association analysis shows U.S. airlines have improved their fuel efficiency by 110% during those three decades. Their efforts have also helped the environment... another area where airlines are unfairly criticized in my opinion. As they've improved fuel efficiency, they've saved 2.5 billion metric tons of carbon dioxide – that's the equivalent of taking 18.7 million cars off the road in each one of those years. That's huge. But at \$125 per barrel, increasing fuel efficiency is not just environmentally responsible... it's a matter of survival.

In the last seven years alone, commercial airlines have realized a 24% increase in fuel efficiency through fleet upgrades, lighter composites, technology improvements and streamlined ground and in-flight operations. More of course can and will be done given environmental and economic imperatives, but I salute this industry for performing extremely well and responsibly to address these concerns.

But many of these hard-earned gains are at risk if we don't get on with reforming our antiquated Air Traffic Control system in the United States. Today, we're still using 1950's technology, which is resulting in gridlock,

delays at airports and a very congested airspace. We've been talking about this for years, and the time is long overdue for the government to start the process of fixing our Air Traffic Control system. The NextGen Air Transportation System, as it's called, will lead to substantial increases in capacity along with major reductions in fuel consumption, noise and emissions. It's estimated that this new system would reduce unnecessary fuel consumption by as much as 400,000 barrels a day by 2030. This overhaul needs to proceed immediately – it's time to finalize all the outstanding ATC funding formulas in the FAA Reauthorization bill and get it enacted. So Congress, please get off your collective . . . well ... you-know-whats.

Back to the immediate situation at hand, today's crippling fuel prices... there are a number of theories about why fuel prices have risen so dramatically in the last year. One is about supply and demand, and that emerging, high growth economies like India and China, are driving an imbalance in the equation, particularly for diesel fuel... which is a close cousin of jet fuel. Certainly concerns about supply and demand have driven some of the increase in the price of fuel.

The underlying issue in my opinion, however, is the weak dollar. The Federal Reserve took interest rates down very quickly last fall and early this year to ease the credit crunch. And we saw the price of oil rise dramatically in tight correlation over that same period. We need interest rates to go back up just as quickly now, to strengthen the dollar. You may not be aware that oil is bought and sold globally in U.S. dollars, so when the dollar is weak, oil prices are naturally going to be higher. My belief, based on conversations I've had with the Chief Economist at the Dallas Federal Reserve and others, is that about \$40 of the price of a barrel of oil today is attributable to the weak dollar.

So the airlines are in a difficult place. And let's not be lulled into thinking things are going to be okay with the price of oil dropping \$20 to \$25 over the past few weeks. With oil anywhere above \$100 per barrel, it will be very difficult for airlines to make money at current fare levels. And let's just be clear, the cost of an airline ticket... in my view... is still a screaming deal! The truth is that air travel is half the price it was 30 years ago if you adjust for inflation. Air fares could rise 20% to 25% and still remain in line with typical inflation levels.

Oil prices have gone from about 15% of an airline's operating expense in the year 2000 to 40% now, and yet fares have remained relatively flat over that time. So to compensate, airlines need to cut capacity, meaning eliminate flights to less profitable destinations... and raise prices. The approach of charging for the first bag or the preferred seat is a way to raise revenue without raising base fares. I know that's not ideal for many of you... it's just one more thing that you have to track, and it drives inefficiencies in your businesses. You may say, "Just take the darn fares up already!" and I'm sure the airlines would be more than happy to oblige, if they could make that stick.

More dramatically, most U.S. airlines have announced they will cut flying capacity by as much as 10% to 15% beginning in September. That is unprecedented. We've never seen that type of reduction in capacity across the U.S. airline system, not even with 9/11.

Those cuts in capacity will have an impact on follow-on businesses that rely on the airlines to bring travelers to them, whether for business or leisure. It's estimated that with a 10% reduction in airline capacity, hotels lose about four percent of their heads in beds. And certainly I think that number would

be higher in business markets or island markets like Hawaii where seat capacity is expected to decline by 25% by early 2009.

Businesses that rely on airlines to transport goods and materials will be affected as well. We'll see some fairly significant impacts on the travel industry. But we'll also see impacts on other industries and local economies as well. It's like back in the days of the stagecoach... when the stagecoach changed its route bypassing a town... that town dried up. We will see similar impacts when airlines eliminate service to a community.

### **Impact on Corporate Travel Managers / examples of solutions**

I know the pressures on the airlines are in turn putting pressure on your businesses, too. In addition to being told to meet tighter travel budgets due to the economic uncertainty, you're also getting hit with another set of challenges when it comes to air travel.

Reductions in capacity make it harder to get the flights your travelers want, and if the flight you booked gets canceled for some reason, rebooking with tightened capacity drives additional costs. And with cancellations and delays, travelers are having unfulfilling travel experiences to say the least.

Add to that the complexity of tracking charges for bags and preferred seats that I mentioned earlier, and we have a pretty tough equation to solve.

Again, I encourage Travel Management Companies and Corporate Travel Managers to look at these situations as opportunities to shine. You are on a quest to travel smarter, to leverage information to wring the most value from every travel dollar. I know many of you in this room are doing that today.

For example, Lockheed Martin recently worked with its travel management provider to develop a new automated process for recruit travel... that is... all the travel they book to bring in candidates for interviews. Lockheed Martin is saving up to \$65 per air ticket for recruit travel with this process – and that's before they factor in lower transaction costs.

Today, more travel technology than ever is refined, proven and applicable to programs of any size. So while we properly recognize the savings and success of large programs like Cisco, Oracle, and Lockheed Martin, we see more regional agencies and corporations with an annual travel spend of less than \$10 million adopting best practices to drive measurable savings. Toys

R Us, as an example, is now in the process of deploying automated recruit travel programs.

On the hotel front, the mix of new automation plus travel management creativity is making great strides. Right here in Los Angeles, Northrop Grumman uses the unique hotel program that it developed in-house in conjunction with its online booking provider to drive hotel compliance in excess of 80%... tremendous savings for a BTN Top 25 program.

Travel Management Firms are obviously no strangers to creativity either. TMCs have made incredible headway in deploying travel automation to simultaneously grow their businesses and better serve clients. For example, the team at Tower Travel Management uses a mix of Sabre and GetThere automation to achieve greater than 50% online adoption, and grow overall transaction volume without increasing staff.

Many of you are using technology to get the most out of your travel programs, and I want to take just a moment to acknowledge the growing number of meeting planners who are here today... meeting tools today work

with established online booking tools, and that opens more doors to tremendous savings.

### **Call to action**

Clearly, this is a group that does not have a victim mentality. You're not taking these challenges passively, and I applaud your activism. And I want to turn that collective energy and passion to the most pressing issue at hand – the fuel crisis.

What can any of us do about this situation? Plenty. At Sabre, we've been calling on lawmakers, the Department of Commerce, the Federal Reserve and others in Washington to take action now. I was in Washington D.C. last week with Marriott, Carlson, and several industry trade groups pressing lawmakers to set aside partisanship and election-year politics... and deliver solutions now.

In those discussions, we've been focused upon three areas in particular... the top priority is to employ a monetary policy that will strengthen the dollar... my hope is that the Federal Reserve will take interest rates up as quickly as they lowered them... which to me seems to be the fastest path to strengthen

the dollar against international currencies. Second, we need to increase oversight of commodities futures trading. This is an issue that has gained the attention of the U.S. major airline CEOs recently. And third, we need to use American ingenuity and incentives from government to both exploit and develop new, alternative energy sources – renewable and sustainable energy. In the near term, however, we also need increased, yet environmentally responsible production from currently available sources to meet our country's needs and decrease our dependence on foreign oil.

And I'll reiterate what I said earlier... it's time to finally start the process of fixing our Air Traffic Control system. That's a longer-term solution... but in the interests of fuel efficiency and a better travel experience... we need to get going.

Every one of you in this room can play a similar role. Just as I've been imploring our elected officials and others in DC to take action, I am imploring you today to take action on this serious issue, too. What can you do? Again, the answer is plenty.

My hope is that you'll support the actions I just outlined, and I encourage those of you who live in the U.S. to make your voices heard in Washington. To make it easy for you, go to our website... Sabre dash Holdings dot com slash take-action-now... there are cards on your tables printed with that address. At our site, you can easily find your Congressional representatives and write them to say you want them to take action now. We also have a kiosk in our Sabre Travel Network booth where you can do that while you're here at NBTA.

So my parting words to you today are: Take action now! Or... to paraphrase Mr. Stevenson...get moving!

Thank you.