U.S. TRAVEL
ASSOCIATION

February 8, 2017

The Honorable Rex Tillerson,
Secretary of State
U.S. Department of State
2201 C Street, NW
Washington, DC 20520

Dear Secretary Tillerson:

Since the days of the Wright Brothers, the United States has been the world's leader in aviation. In recent decades, a cornerstone of American aviation policy has been the more than 100 Open Skies agreements that the U.S. has negotiated with countries around the world. By reducing government interference in air travel, these agreements have led to hundreds of thousands of new American travel and manufacturing jobs, billions in U.S. economic growth, lower airfares for travelers, more flights to airports to and beyond major gateways, and new opportunities for U.S. airlines.

Despite these broad benefits, the Big 3 U.S. legacy carriers (American, Delta and United) are now trying to use their influence in Washington to undermine Open Skies – a policy they themselves once strongly favored. As the nation's only trade association representing all sectors of the U.S. travel industry, we are concerned about the widespread economic harm that could be caused by such actions.

While their arguments are couched in compelling terms, the Big 3 airlines are not seeking a level playing field to compete. Instead, they are lobbying for government intrusion that would benefit themselves, but hurt American manufacturing jobs, threaten U.S. economic growth and undermine U.S. national security interests.

Last year, a diverse coalition of airlines, travel businesses, U.S. destinations, cargo companies and others successfully fought off a lobbying campaign by the Big 3 airlines and their unions are seeking a government-imposed freeze on flights to the U.S. by three Gulf carriers (Emirates, Etihad and Qatar Airways). As you consider this issue, we respectfully request that you examine the broader impact of the request for more government intrusion in the aviation market, including several important facts:

- **Open Skies agreements boost made-in-America manufacturing.** Because of Open Skies, the Gulf carriers have committed to purchasing American products and strengthening our manufacturing base. Of the 306 firm orders for the Boeing 777X, 235 are for the three Gulf carriers. Boeing is making a $10 billion investment in this plane, and these orders will support thousands of American manufacturing jobs across the Boeing supply chain. Any action to alter U.S. Open Skies agreements would put 77% of the Boeing 777X orders at risk. Those airplane orders could easily go to Airbus, shipping thousands of manufacturing jobs to Europe.

- **Open Skies is completely consistent with the Trump administration's deregulatory agenda.** Each of these agreements has eliminated government-imposed restrictions on routing, capacity and pricing. Open Skies has eliminated hundreds of government regulations, both at home and overseas. Without Open Skies, the U.S. would be stuck with a highly regulated,

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20th-century air travel system that would hamstring growth and innovation and force travelers to pay higher fares, while reducing America's freedom to compete as the destination of choice for global travelers. Rolling back Open Skies agreements would mean fewer people visiting our great cities, national parks and attractions.

- **Open Skies is critical to correcting America's trade deficit.** Every dollar spent by an overseas visitor to the U.S. counts as an export. In 2015, U.S. travel exports contributed $246 billion to our balance of payments. Undermining Open Skies would significantly reduce travel to the U.S. and make it far harder to address the chronic U.S. trade deficit.

- **Open Skies creates new jobs across America.** In 2015, the addition of one new Emirates flight to Orlando created 1,400 new jobs in the region. More jobs were added when Emirates launched new service to Fort Lauderdale last December. Even with these new flights, U.S. carriers' market share has held steady. Meanwhile, U.S. carriers are profiting from linking their flights to the new service from the Gulf. In fact, employment in the U.S. airline industry rose 4.3 percent from September 2015 to September 2016. The Gulf carriers brought 1.1 million international visitors to U.S. markets in 2014. Spending by these visitors at businesses in these markets exceeded $4 billion. This spending supported nearly 50,000 American jobs, paying $2.6 billion in personal income and generating $1.1 billion in federal, state and local taxes.

- **The Big 3 want to game the antitrust system.** The Big 3 airlines asked the U.S. government to grant them antitrust immunity so they could coordinate routes, capacity and pricing with European, Asian and other airlines in their global alliances. Obviously, these joint ventures reduced the number of independent carriers and dramatically undermined competition. The competition enabled by Open Skies was a precondition for granting the Big 3 the invaluable government benefit of antitrust immunity. Undermining Open Skies would allow the Big 3 to game the system, reaping the benefits of being shielded from antitrust laws while blocking the competition that was a prerequisite for that immunity.

- **The Big 3 want government intervention to help the foreign airlines they favor.** The Big 3 and the Gulf carriers compete directly on very few flights. When the Big 3 accuse the Gulf airlines of "stealing" traffic, what they really mean is that the Gulf airlines are competing with the Big 3's partners: Air France, Iberia, Lufthansa, and other European carriers. Why should it become U.S. policy to hurt American businesses to benefit foreign airlines?

- **Freezing flights would undermine our relationships with key allies in the war on terror.** Qatar and the United Arab Emirates are key partners with the U.S. in the war against terrorism. Open Skies agreements with these allies are vital to advancing critical U.S. national security goals.

It is important to remember that there is nothing in any Open Skies agreement with any other country that restricts any U.S. flag carrier, passenger or cargo, from flying to any destination in a foreign country with which the U.S. has an Open Skies agreement. If U.S. flag carriers choose not to serve foreign destinations, or to give those routes to their European or Asian alliance partners exclusively, that is their choice. It is not the result of any decision by a foreign government or anything in an Open Skies agreement.

In recent years, the Big 3 have cut back their flights both at home and overseas, serving fewer destinations. That is their choice. For example, right now, amazingly, no U.S. carrier flies to Dubai, a major global financial center. But voluntary cutbacks in service are hardly justification for tampering with a policy that has benefitted America's economy for over 20 years.

Instead of cutting flights and limiting traveler options, we call on the Big 3 U.S. carriers to step up and offer more flights here in the U.S. and around the world. Rather than lobbying the federal government to intervene, these carriers should compete by offering better service and prices.

The bottom line is that Open Skies is good for America. Given the importance of Open Skies policy to the American economy and the possibility that your department will once again be asked to intervene in this matter, we respectfully request a meeting with you to discuss this issue. We hope you will reaffirm our nation's longstanding support for Open Skies.

Very respectfully,

Roger J. Dow

Roger J. Dow
President and CEO
U.S. Travel Association

CC: The Honorable Elaine Chao, U.S. Secretary of Transportation