

Sam Gilliland
Grand Opening Luncheon
Fort Worth Convention Center
April 30, 2002
“Transforming the Business of Travel”

[Slide – Cover slide]

- Thank you, Mayor Barr. And what a pleasure it is to be here today to celebrate the opening of a bigger and better Fort Worth Convention Center.

- The \$75 million you’ve invested in the expansion of this facility is just one significant indication of the importance of the travel industry to Fort Worth and its citizens.

[Slide – Fort Worth and Travel]

- Each year, about 7.5 million travelers visit Fort Worth. To do business in world-class meeting facilities: To take in the cattle drive every day on Exchange Avenue. To have a beer at Billy Bob’s (which frankly sounds quite good right about now), or enjoy an evening on Sundance Square.

- The overall economic impact to the city of Fort Worth? More than \$900 million a year in direct spending.

- In 2002, this Convention Center is expected to generate more than \$104 million in direct spending for the city – up from \$68 million last year. (And I understand these to be conservative estimates.)

- Besides playing host to millions of visitors each year, Fort Worth is home to some of the major players in the world of travel -- including American Airlines and Sabre. As employers, we're responsible for more than 35,000 jobs – most of them local. (As a side note, I hope everyone knows that American and Sabre are now completely separate companies.)
- But no matter how you look at it, travel is big business in Fort Worth.

[Slide – Sabre]

- And of course, at Sabre we like to think that every one of those millions of Fort Worth visitors booked their trips through a Sabre Connected travel agent or through Travelocity.com – our online consumer travel site – or through GetThere – our corporate travel booking tool. Or even through an airline that uses our technology – such as Southwest Airlines or American Airlines. (And the numbers tell us, in fact, that more than one in every two travel reservations in the United States is made using Sabre technology.)
- As Mayor Barr said, Sabre is the leading provider of technology, distribution, and marketing services for the travel industry.
 - To Sabre, a healthy travel industry certainly means top-line revenue growth.
 - To Fort Worth, it means direct spending into the local economy. It can fill this convention center with delegates and exhibits throughout the year.
 - And to each of us as individuals, a healthy travel industry gives us the freedom to move – whether we travel every week on business, or once a year on vacation.

- So, travel is big business to Sabre, as well as to Fort Worth.

[Slide – Transforming]

- And a healthy travel industry is built on innovation – innovation that’s transforming the way we travel. Let me spend just a moment explaining what I mean by “transforming.”
- We see the signs of transformation every day. Travelocity.com, recently received an interesting e-mail that said:

"My name is Nina.

I am a farm wife. I live way out in the country.

Every year I do something new. Last year I took a taxi.

This year I booked a trip on Travelocity.com, and it worked perfectly. Thank you very much."

- We spoke with Nina. She said she lives several hours from the nearest travel agency (and that would be in Fargo), so she uses Travelocity.com.
- Now, Nina’s experience embodies what we’re trying to accomplish every day in the travel industry: and that’s to make sure that *all trips* are secure and convenient from start to finish - - that they’re handled efficiently -- and that the consumer has lots of options to choose from. And perhaps most important, that their journey and destination remind them that they need to travel again -- real soon.
- Because after all, there are many Ninas around the world -- and many opportunities to serve them better.

[Slide – Agenda]

- So let's talk about how the travel industry is working to do that:
- Over the next few minutes, I'll talk about the effects of 9/11 on travel -- and the major trends we see **transforming** the future of the travel industry.
- And I'll highlight what we're doing -- and must do -- in response to those trends.

[Slide – 9/11 Effects]

- With the recession of 2001 and the events of Sept. 11, there is no question that the past 12 months have been one of the toughest periods in the history of the travel industry.
- At Sabre, our travel bookings reached an all-time low point – down from the prior year by almost **73 percent** – in the week following Sept. 11. In the month after the attacks, bookings were down by about **35 percent** from the prior year.
- Since then, bookings have climbed – with many starts and stops – back up to the point where they were down only in the low teens for the past few months. In April, we've even had some days in which bookings were down only in the single digits from the prior year.

[Slide – Layoffs]

- The drop in bookings has affected the entire industry. Hotels, car rental companies, travel agencies, and companies like Sabre – we've all felt the effects.
- Almost 600,000 layoffs were announced or planned across the industry last year.
- The question now is when will we recover? And how quickly?

[Slide – Outlook]

- And those are tough questions to answer. So we looked to the past to draw some comparisons. We've looked at traffic trends now versus after the Gulf War.
- This chart tracks the change in revenue passenger miles (RPMs), which is an important measure of air traffic in the airline industry.
- At the start of the **Persian Gulf War** in 1991, passenger traffic dipped around **8 percent globally** and **6 percent here in the United States**.
- Compare that to Sept. 11. RPMs were down approximately **22 percent globally** and **27 percent** in the United States in the three months following Sept. 11.
- This is almost **three times** worse than the Persian Gulf War effects **worldwide**, and nearly **five times** worse **domestically**.
- We're on a similar recovery track as after the Gulf War. But because the drop was much deeper last September, we have much further to go.
- I know everyone in our industry is focused on getting people traveling again. In particular, at Sabre, we're focused on three specific trends that we believe have the potential to transform the business of travel.

[Slide – Travel industry trends]

- The three major trends we see in travel are:

- Number one, security and convenience (and in our new world post 9/11, we have had to develop a new definition of convenience -- and that is **predictability of the travel experience**). These are key priorities for today's traveler. And there's no reason to think that will change in the future.
- Two, there is a drive to be more efficient across the entire travel industry -- lower overall costs for all constituents.
- And finally, there is demand for better service and more options for travelers, who are more educated and technology savvy than ever before.

[Slide – Security and convenience are critical]

- Let me begin with the trend of security and convenience. Prior to Sept. 11, there was significant focus on traveler convenience. People in the industry were asking questions such as: How could airlines improve their level of service across their global alliance networks? How could we speed the airport process for frequent travelers? How could we use new technologies to set an airline or a travel service apart from its competitors?
- While the technology is virtually the same, the focus on convenience has shifted to that of security. It's not about whether I can check in via my cell phone with voice authentication or my voice print. Rather, it's about verifying that you are who you say you are and that you're not a bad guy - based upon your voice print, or fingerprint, or facial geometry. We now, simply stated, have a public and governmental mandate to plug holes in the fabric of travel.

- According to a recent Triple-A survey, most Americans – 72 percent – say they would accept more burdensome screening procedures if the result were better airport security. Almost 70 percent say they would be willing to endure longer lines. And almost 60 percent say they would even be willing to pay an airline security surcharge.
- An online survey (done by Travelocity in February) found the vast majority of travelers – more than 70 percent – support giving federal law enforcement agencies direct and open access to all travel reservations information -- a big swing away from the privacy concerns of the Internet over the last 18 months or so.
- And most – 76 percent of frequent travelers – are in favor of a voluntary "trusted traveler" ID card system.
- Yet the flip side of the desire for security is a desire for convenience and predictability. Clearly, we have to figure out how to move people more swiftly and more consistently through the process -- without skipping any steps in security.

[Slide – Industry response: security and convenience]

- While the travel industry absolutely must respond to this trend, we also need a strong response from government.
- In a speech to the Travel Industry Association of America last month, Norman Mineta, the U.S. Secretary of Transportation, said, “No weapons, no waiting – that’s our goal.”
- To that end, Congress created the Transportation Security Administration (TSA) after Sept. 11 to manage security at U.S. airports, and it is now hiring personnel to screen passengers and baggage.

- TSA expects to hire 30,000 federal security employees. To put that in perspective, with 30,000 employees, the TSA will be larger than the FBI, the Drug Enforcement Administration, and the Border Patrol **combined**.
- One of the biggest challenges TSA faces is the end-of-year deadline imposed by Congress for having Explosive Detection Systems in place at every commercial service airport. (And I know you're thinking to yourself: "I thought they already had explosive detection systems in place at every commercial airport." No, not yet.)
- Both government and industry are considering a variety of new systems including the *Trusted Traveler ID* card. And as I mentioned before, most travelers surveyed – especially frequent flyers – indicated that they were very receptive to this idea.
- And while experimenting with new systems continues, several wide-scale security enhancements have already been made.
 - As you may know, most North American airlines have reinforced cockpit doors on all planes and instituted positive bag match at all airports.
 - We've seen sky marshals added to many North American routes. And if you wonder why that person sitting in that aisle seat next to you on your flight into Washington National Airport looks so big and burly... think **sky marshal**.

- And, if you've traveled as I have since Sept. 11 – and I've had the glorious opportunity to pass through security checkpoints about 70 times since then – you learn quickly that fingernail clippers have become lethal weapons, requiring significant scrutiny. (Being the quick learner that I am, I only lost two pair before figuring that out!)
- So, we've seen the federalization of airport security screeners in the United States. And it's likely to happen soon in Canada.
- On the convenience side, security best practices tested by TSA in the Baltimore-Washington International Airport improved the number of passengers screened from 500 per hour to 700 per hour – a 23 percent improvement. Best practices included simple things like better signage, the installation of sorting tables well in front of the screening machines, adding chairs and shoe horns for shoe checks, and simply better communications between screeners and ticket agents.
- In a recent Gallup poll, eight out of ten Americans felt airport security had improved since Sept. 11 – so there is progress.
- And more secure, more convenient screening technologies aren't far away. Biometric screening applications – using retinal scanning, face recognition, fingerprints, voice patterns, and hand geometry to validate passenger identity – are already available.
- At Fresno Yosemite Airport in California, a facial recognition system already scans the faces of travelers against databases of known criminals.

- Boston's Logan Airport is piloting a facial recognition program that creates a direct link between Logan's security checkpoints and federal counter-terrorism databases.
- At Sabre, we're also responding with specific security and convenience initiatives. We've already developed working prototypes of nearly all of these technologies connected to our check-in systems at airports.
- You've probably seen self check-in kiosks that are now in more than 500 airports around the world. Much of the underlying technology is ours. We have an exciting new prototype under development that uses fingerprint technology to enable frequent flyers to speed through check-in and security. It's convenient and secure.
- We're also working on a biometric identification card. Biometric data could be stored either in a central database or on the card itself and matched to a name when scanned at a security check-in.
- But in the end, airlines will not invest heavily in such systems -- systems that drive convenience and predictability, particularly for frequent travelers -- until the government sets forth standards and guidelines across the industry. And therefore, Sabre continues to press the government, our congressional representatives, the various government agencies (DOT, FBI, etc.) – and even the White House on that front.
- We simply need to get people flying again.

[Slide – Travel industry becoming more efficient]

- Let me move on to *efficiency* – doing more with less across the travel industry.

- While much of the push for efficiency has been driven by airlines and other travel suppliers reducing -- or eliminating -- the commissions they pay to travel agents, it has also come from the Internet.
- Travel is now the largest online e-commerce sector. And like a lot of other industries, online travel competitors are lower cost than their brick-and-mortar counterparts. This puts pressure on everyone's cost structures.
- The Internet-driven efficiency trend has been around the travel industry for a while now. But -- with the recession, with Sept. 11, with travel agent commission cuts -- the drive for efficiency became a lot more urgent in 2001 and again this year.

[Slide – Industry response: drive for efficiency]

- So what are we doing about it? Well, the most common response to a drive for efficiency is to cut costs. We see that across the board in our industry. At airlines, hotels, and rental car companies – no stone has gone unturned.
- But the flip side of cutting costs is stimulating demand and delivering greater value. And long-term, that's where the greatest potential lies. Because in the end, we'll not save our way to profitability.
- Suppliers have initiated massive advertising and promotional campaigns to stimulate demand. British Airways, for example, ran its biggest-ever advertising campaign earlier this year to get businesses back on the move and into its airplanes. And all airlines are offering many more Web fares with few, if any, restrictions to stimulate both leisure and business travel.

- Travel agencies have responded as well – with advertising and promotion, with a renewed focus on higher-value leisure customers, and with a new, very organized approach to implementing fee structures.
- At Sabre, we're also working to become more efficient. Last year, we announced a \$100 million deal with our neighbors to the south at Compaq to provide more open systems that we believe will double our programmers' productivity and allow us to get our products to market much more quickly.
- Last July, we made the very difficult decision to sell our airline infrastructure outsourcing business to EDS – and signed an agreement with them to manage our information technology systems for us. The result? We're more focused than ever on the needs of travel suppliers, travel agents, and travelers.
- We believe these types of transactions make us that much more efficient in the marketplace. And those investments and bold actions further reflect our confidence in the future of the travel industry.

[Slide – More educated consumers expect more]

- Finally, the third trend -- more educated and technology savvy consumers expect more from the overall travel experience.
- I'm sure many of you have purchased a book or CD online from Amazon.com. Pretty easy wasn't it? And it pointed out related books to the one you were choosing that might be interesting. Pretty simple, pretty cool. And you came to expect the same from every Web site you went to.

- So the Internet has left consumers expecting more. In the world of travel, people go online, do the research, and then, in many cases, they turn to a travel professional to book their trip. Many will *also* go to the brick-and-mortar travel agency to get assistance in finding the best options, and then go online to book.
- As a result, consumers' service expectations have changed. They've already gotten the facts ... or more accurately stated, they think they have found a lower price! Now they expect their travel agents to immediately act on that information – to add more to what they already know, and to personalize it.
 - With flights on their preferred air carrier at a time that meets their schedule, and at the lowest possible price;
 - With a hotel that has the amenities – like a golf course or spa or childcare – that they prefer;
 - And with services to help them keep up with their work or personal lives while they're traveling.

More educated travelers also expect access to more options. If they're like me, they want notification by e-mail of any flight changes. If they're not, they may want a phone call instead.

- Or it may be the human touch they want. We saw it after Sept. 11 when people called travel agents for help – even when they had booked online. And we see it today when people call agents to find out what to expect at the airport in terms of security procedures.

- More educated consumers expect more. And while that presents a challenge to all of us, it's also a big opportunity for everyone connected with travel. So, let's talk about how the industry is responding.

[Slide – Industry response: educated consumers expect more]

- When consumers expect more, only one response is appropriate. The industry – suppliers, travel agencies, and the people who serve them at their destinations – must give them more.
- For example, travel agents can no longer focus on booking airline tickets and collecting commissions – and most haven't for quite awhile. The focus has to be on managing the end-to-end travel experience. And that's about:
 - Knowing the traveler's personal preferences;
 - Offering a wider choice of options;
 - Perhaps creating new and lower price points by packaging travel for them -- not just the air reservation, but the best package of air, car, and hotel;
 - And rather than getting commissions from airlines to pay their bills and have a bit left over -- charging the traveler for every travel reservation provided.
- Airlines and other travel suppliers are also looking for ways to personalize service.
 - Airlines are further segmenting their customer base and offering services like first class check-in counters to a broader range of top-tier travelers.

- They're investing in technology that tracks individual customer preferences to better inform customers about products and destinations they care about.
- And they're investing in next-generation passenger systems to better communicate and interact with travelers at all points during the journey – including secure check-in, automated boarding control, and bag match.
- From our perspective at Sabre, we have to deliver more unique content and more tools. I'll tell you what I mean by that:
- **Content** is simply the array of travel options we offer to travelers and travel agents -- from airline flights, to lodging and rental cars, to limousines and group tours. As an example, our system for agents includes Sabre Cruises – offering nine leading cruise lines.
- **Tools** are technology applications that make it easier to manage the travel experience. A good illustration is Sabre Virtually There. If you book through Sabre Connected travel agencies, you can go to *virtuallythere.com* to see and print your trip itinerary and get current information on your destination. You can even download it to your Palm Pilot or cell phone, if you'd like.
- For example, visitors to Fort Worth can use Sabre Virtually There to make dinner reservations at the Cattlemen's Steak House. And they can book tickets to catch Hank Williams-the-third in concert at Billy Bob's this weekend. Virtually There is a tool that provides access to lots of unique content options, and it can transform a travel experience.

[Slide – Closing]

- A few key trends -- and an industry that's ready and willing to respond -- and an industry that's shown incredible resiliency over the past several decades. It's that simple, and it's that complex.
- Simple because the trends are easy to spot, and we know what we need to do in response.
- Complex because it calls for new ways of thinking about travel.
- I started out talking about Nina from North Dakota. Travelocity.com helped Nina book a trip, and in her words – it worked perfectly.
- And the good news is -- across the travel industry, I see people working hard to make *more trips* work perfectly: We're focused on security and convenience, efficiency, and offering consumers and corporations more.
- And we all have a role to play. If you are involved with travel and tourism, you are part of the continuous quest to make travel and travel destinations better.
- If you're involved with government, you have a key role in ensuring appropriate government investment in this sector to drive successful rebound for the travel industry after Sept. 11.
- And as corporations and individuals, we can **all** communicate with our state and federal government leaders about how important the travel and tourism industry is to our local economy here in North Texas.

- Because a healthy travel industry -- more conventions, more visitors, and more spending -- is good news for all of us.
- And I'll close with a few more encouraging words. We've talked a great deal about the human spirit in the aftermath of the Sept. 11 tragedy.
- And I'd like to think that it's that same human spirit that will get people traveling again in the face of adversity -- in the face of what has become an arduous travel process -- in the face of uncertainty about the Middle East.
- Whether it's for business or pleasure. People are traveling so they can share with one another ... so they can be together -- whether it's in this convention center, on a Caribbean beach, at someone's home or place of business.
- I hate to admit it, but in the past several days, I hit that ominous 40-year milestone in my life. For those of you that have hit that milestone in your lives, I'm sure you can relate. It's driven lots of personal reflection and introspection.
- But quite seriously, I've thought about travel a bit differently in the past few days. As you couple personal milestones with everyone's bitter sadness about Sept. 11, it stirs our emotions. So for me in the last few days, travel has come to mean more than just business -- it has become much more about being with family and friends. In other words, travel has become more about experiencing life.
- And I think the following clip captures that feeling quite nicely.
["Grandfather Meets Newborn Baby" Travelocity commercial runs]

- I look forward to working with you to get more people traveling to Fort Worth. Thank you.