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PACIFIC ASIA TRAVEL ASSOCIATION
41st ANNUAL PATA CONFERENCE
HONG KONG
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THANK YOU, NEIL, AND GOOD MORNING, LADIES AND GENTLEMEN. I'M PLEASED TO BE PART OF THIS 41st ANNUAL PATA MEETING ... AND TO HAVE AN OPPORTUNITY TO TALK ABOUT THE AVIATION BUSINESS, WHICH IS BOTH EXCITING AND CHALLENGING AND WHICH, IN ADDITION TO BEING VERY BIG IN ITS OWN RIGHT, IS ALSO THE CORE OF THE \$3 TRILLION TRAVEL AND TOURISM INDUSTRY.

AROUND THE WORLD, TRAVEL AND TOURISM -- THE WORLD'S LARGEST INDUSTRY -- HAS IMMENSE ECONOMIC IMPACT. THE BUSINESS OF WHICH WE ARE ALL A PART MEETS AN ANNUAL PAYROLL OF \$730 BILLION, PAYS NEARLY 6% OF THE WORLD'S TOTAL TAXES, PROVIDES ONE OF EVERY 15 OF THE WORLD'S JOBS, SERVES AS JUSTIFICATION FOR NEARLY 9% OF ALL CAPITAL INVESTMENT AND ACCOUNTS FOR MORE THAN 6.1% OF GLOBAL G.N.P. MOREOVER, IN RECENT YEARS, TRAVEL AND TOURISM HAS BEEN GROWING FASTER THAN MOST ECONOMIES.

GIVEN WHERE WE ARE, IT'S IMPORTANT TO NOTE THAT TRAVEL AND TOURISM IS ALSO THE PACIFIC REGION'S LARGEST INDUSTRY. HERE IN HONG KONG -- INDEED, AROUND THE PACIFIC -- ONE CAN SENSE THE PACE OF ECONOMIC GROWTH AND EXCITEMENT -- AND I'M CERTAIN NONE OF US NEEDS MUCH CONVINCING ABOUT THE ALLURE FOR VISITORS OF THE

AREA'S MANY ATTRACTIONS.

THAT EXCITEMENT AND SENSE OF ANTICIPATION ARE PARTICULARLY REFRESHING BECAUSE THEY STAND IN SUCH SHARP CONTRAST TO THE RECESSIONS BEDEVILING MOST OF THE INDUSTRIAL WORLD'S ECONOMIES. MOREOVER, FORECASTS PREDICT THAT PACIFIC-RIM GROWTH WILL CONTINUE TO OUTPACE THE REST OF THE WORLD'S.

THERE ARE MANY REASONS FOR THAT, INCLUDING --

- THE CONTINUED RAPID GROWTH IN EXPORT-ORIENTED MANUFACTURING INDUSTRIES
- THE INTENSIFICATION OF INTRA-REGIONAL TRADE
- THE CONTINUING GROWTH IN DISPOSABLE INCOME
- A GROWING INTEREST IN TRAVEL AMONG CITIZENS OF COUNTRIES WHERE TRAVEL RESTRICTIONS HAVE RECENTLY BEEN RELAXED, MOST NOTABLY KOREA AND TAIWAN
- AND FINALLY, THE GROWING IMPORTANCE OF ETHNIC TIES BETWEEN PACIFIC NATIONS.

ALL THIS IS FULLY CONSISTENT WITH THE PACIFIC'S TRADITIONAL TRADING ORIENTATION. WHILE PACIFIC-RIM MANUFACTURING AND SERVICE ENTERPRISES HAVE DAZZLED THE WORLD WITH CREATIVE,

INNOVATIVE AND AGGRESSIVE INITIATIVES, IT IS THE AREA'S TRADING CULTURE AND COMMITMENT TO FREE ENTERPRISE THAT HAVE MADE IT AN ECONOMIC POWERHOUSE.

GIVEN THE PACIFIC'S GENERAL COMMITMENT TO FREE TRADE, IT'S HARD TO FIGURE OUT WHY HONG KONG -- ONE OF THE AREA'S MOST VIGOROUS ECONOMIES -- HAS BEEN SO DOGGEDLY INSISTENT ON PERPETUATING EXTRAORDINARILY PROTECTIONIST RULES FOR THE BENEFIT OF ITS FLAG CARRIER. AS A CONSEQUENCE, HONG KONG AND THE U.S. HAVE BEEN UNABLE, AFTER SIX ROUNDS OF TALKS, TO CONCLUDE A NEW AVIATION AGREEMENT.

THAT FAILURE STEMS FROM THE FACT THAT HONG KONG'S NEGOTIATORS, RATHER THAN WORKING TOWARD AN AGREEMENT THAT REFLECTS THE FREE-ENTERPRISE PRINCIPLES THAT UNDERPIN ITS ASTOUNDING ECONOMIC SUCCESS, SEEM DETERMINED TO CONTINUE APPLYING THE ANTIQUATED BILATERAL RULES WHICH HAVE GOVERNED AVIATION AGREEMENTS FOR 40 YEARS.

NOR DOES THAILAND'S DECISION TO RENOUNCE ITS AVIATION AGREEMENT WITH THE U.S. -- BECAUSE IT THINKS U.S. CARRIERS ARE FLYING TOO MUCH CAPACITY -- SEEM CONSISTENT WITH THAT COUNTRY'S REPUTATION AS A BASTION OF FREE TRADE.

AND HOW CAN ONE EXPLAIN WHY JAPAN, THE PACIFIC'S FOREMOST ECONOMIC POWER, CONTINUES TO BE THE MOST RESTRICTIVE OF ALL THE AREA'S NATIONS REGARDING AVIATION! WHILE A FEW NEW ROUTES HAVE

RECENTLY BEEN ESTABLISHED, AND WHILE THERE HAS BEEN A MODEST INCREASE IN CAPACITY BETWEEN JAPAN AND THE U.S. IN RECENT YEARS, GROWTH HAS BEEN SEVERELY LIMITED AND A BROAD ARRAY OF RESTRICTIONS HAS CREATED TWO CLASSES OF CARRIERS --

-- THE RELATIVE NEWCOMERS, WHICH HAVE VERY LIMITED ROUTE AND FREQUENCY RIGHTS,

-- AND THE LONG-ESTABLISHED CARRIERS, WHICH HAVE VIRTUALLY UNLIMITED RIGHTS -- AND WITH WHICH THE NEWER ENTRANTS ARE UNABLE TO COMPETE ON ANYTHING LIKE EQUAL TERMS.

EVEN WHEN AN AIRLINE GETS ROUTE RIGHTS, MANY OTHER OBSTACLES REMAIN. FOR EXAMPLE, KOREA AND THE U.S. HAVE BEEN HAVING A DIFFICULT TIME IMPLEMENTING A VERY LIBERAL AGREEMENT BECAUSE KOREA WILL NOT REMOVE VARIOUS OPERATING CONSTRAINTS AT KIMPO AIRPORT. UNTIL THOSE CONSTRAINTS ARE REMOVED, U.S. CARRIERS WILL BE UNABLE TO PURSUE REAL COMPETITION -- AND NEITHER THE U.S. NOR KOREA WILL REALIZE THE FULL BENEFITS OF THE AGREEMENT BOTH WORKED HARD TO ACHIEVE.

LEST I SEEM PAROCHIAL IN FOCUSING ON U.S.-ASIAN AVIATION RELATIONSHIPS, LET ME HASTEN TO ADD THAT AVIATION AGREEMENTS BETWEEN ASIAN AND EUROPEAN NATIONS -- AND EVEN AMONG ASIAN NATIONS THEMSELVES -- ARE JUST AS RESTRICTIVE -- AND CAN ONLY BE CHARACTERIZED AS EXTREMELY ANTICOMPETITIVE.

THAT ANTICOMPETITIVE STANCE LIMITS YOUR OPPORTUNITIES AS WELL AS OURS -- FOR IF PROTECTIONIST AGREEMENTS PREVENT US FROM TAKING PEOPLE PLACES, THEY CAN NEITHER CONDUCT THEIR BUSINESS AFFAIRS EFFICIENTLY NOR MAXIMIZE THEIR PLEASURE TRAVEL. AND IF THEY DON'T, THEY CAN'T GET TO THE HOTELS, THE RESORTS, THE RESTAURANTS, THE ENTERTAINMENTS AND THE THOUSANDS OF OTHER BUSINESSES DEPENDENT UPON THEIR ARRIVAL. MOREOVER, IF WE CAN'T TAKE THEM TO WHERE THEY WANT TO GO -- THEY HAVE NO NEED FOR YOUR SERVICES!

IT IS PROFOUNDLY PUZZLING THAT THIS DETERMINED PROTECTIONISM EXISTS IN SOCIETIES WHICH HAVE BENEFITED SO ENORMOUSLY FROM AGGRESSIVE LAISSEZ-FAIRE POLICIES VIS-A-VIS OTHER INDUSTRIES.

THE PUZZLEMENT IS HEIGHTENED BY THE FACT THAT AVIATION -- SO UNIQUELY CONTROLLED AND REGULATED -- IS AN INDUSTRY WHICH HAS A VERY DIRECT IMPACT ON MANY OTHER BUSINESSES. IN MAINTAINING HIGHLY RESTRICTIVE AVIATION POLICIES, ASIAN NATIONS ARE PREVENTING ONE OF THE MOST POWERFUL ENGINES OF ECONOMIC GROWTH FROM OPERATING AT FULL THROTTLE -- AND THUS DEPRIVING THEMSELVES OF THE ABILITY TO MAXIMIZE ECONOMIC GROWTH.

LET'S LOOK FOR A MOMENT JUST AT JAPAN, WHERE DOMESTIC TRAVEL IN THE 1980s GREW BY BARELY 50% -- WHILE IT WAS MORE THAN DOUBLING IN THE DEREGULATED U.S. MARKETPLACE. MOREOVER, ONLY 7% OF ALL JAPANESE HAVE TRAVELED ABROAD -- COMPARED TO 17% OF THE U.S. POPULATION AND 50% OF THE U.K.'s -- AND AVIATION

PROTECTIONISM HAS PREVENTED UNTOLD THOUSANDS FROM OTHER LANDS FROM VISITING JAPAN. AS A CONSEQUENCE, THE JAPANESE GOVERNMENT HAS DEPRIVED ITSELF OF THE BENEFITS MORE TOURISM COULD BRING TO ITS OWN ECONOMY, AND OF A GREAT OPPORTUNITY TO USE OUTBOUND TOURISM TO BETTER BALANCE ITS CHRONICALLY SURPLUS TRADE ACCOUNTS.

THE PROTECTIONISM THAT SURROUNDS THE AVIATION COMPONENT OF TRAVEL AND TOURISM IS SHORT-SIGHTED, FOR THROUGHOUT HISTORY, ECONOMIC AND SOCIAL PROGRESS HAVE BEEN PACED BY DEVELOPMENTS IN TRANSPORTATION. ROADS BUILT THE ROMAN EMPIRE. SHIPS BUILT THE BRITISH EMPIRE AND SUPPORT JAPAN'S INTERNATIONAL TRADING NETWORK. RAILROADS HAVE MOVED IMMIGRANTS AND INDUSTRY TO NEW TERRITORIES. HIGHWAYS HAVE STIMULATED COMMERCIAL DEVELOPMENT. AND IN RECENT YEARS, AIRLINES HAVE DRAWN THE WORLD'S INCREASINGLY GLOBAL ECONOMY EVER CLOSER TOGETHER.

OUR ABILITY TO CONTINUE DOING SO IS PUT AT RISK BOTH BY THE EXISTENCE OF RESTRICTIVE AVIATION AGREEMENTS AND BY THE ABSENCE OF THE INFRASTRUCTURE NEEDED TO SUPPORT A SYSTEM ABLE TO BE FULLY RESPONSIVE TO DEMAND.

IT'S TRUE THAT HERE IN HONG KONG, FINAL APPROVAL FOR THE NEW CHEK LAP KOK AIRPORT HAS FINALLY BEEN GRANTED -- BUT THAT AGREEMENT WAS VERY, VERY LONG IN COMING. AROUND THE WORLD, PEOPLE ADMIRE HONG KONG'S EFFICIENCY AND VIGOR -- AND ENVY ITS OPPORTUNITY. HAVING LONG BEEN CHINA'S WINDOW TO THE WORLD, HONG

KONG NOW STANDS ON THE VERGE OF A NEW AND DRAMATICALLY EXPANDED ROLE -- YET ITS DEVELOPMENT HAS BEEN TERRIBLY HAMPERED BY THE SEVERE INADEQUACIES OF ITS AVIATION INFRASTRUCTURE. HOW MUCH MORE WOULD HONG KONG BE TODAY HAD THERE BEEN RUNWAY AND AIRPORT FACILITIES ADEQUATE TO HANDLE MORE FLIGHTS, AND A GOVERNMENT POLICY WHICH ENCOURAGED ENTRY BY ALL CARRIERS WILLING TO COMPETE? I DON'T HAVE THE NUMBERS -- BUT THEY WOULD BE BIG!

THE SITUATION IS EVEN MORE ACUTE IN JAPAN, WHICH LACKS ADEQUATE RUNWAYS AND TERMINALS -- AND WHICH UNDERUTILIZES EVEN THE CAPACITY IT HAS. FOR EXAMPLE, ALTHOUGH WE HEAR A GREAT DEAL ABOUT NARITA BEING FULL, LONDON'S GATWICK AIRPORT -- WHICH ALSO HAS ONLY ONE RUNWAY -- HANDLES MORE THAN TWICE AS MANY DAILY FLIGHTS AS NARITA DOES.

IN JAPAN, ENVIRONMENTAL ACTIVISTS HAVE TRIGGERED HIGHLY EMOTIONAL POLITICAL DEBATES AND BY DOING SO, HAVE SUCCEEDED NOT ONLY IN STYMIEING BOTH RUNWAY AND TERMINAL CONSTRUCTION, BUT ALSO IN LIMITING FULL USE OF WHAT IS IN PLACE. IN THE PROCESS, THEY HAVE HAD AN INHIBITING EFFECT ON THE EXPANSION OF TRAVEL AND TOURISM IN JAPAN AND THROUGHOUT THE NORTHERN PACIFIC. WHILE WE MUST CLEARLY BE RESPONSIVE TO ENVIRONMENTAL ISSUES, IT IS ABSOLUTELY IMPERATIVE THAT WE FIND A BETTER BALANCE THAN WHAT EXISTS TODAY BETWEEN ENVIRONMENTAL CONCERNS AND THE REAL NEED FOR ECONOMIC GROWTH.

A RECENT IATA STUDY PREDICTS THAT SCHEDULED AIRLINE TRAFFIC

IN JAPAN -- AND THE ENTIRE ASIA-PACIFIC REGION -- WILL GROW FASTER THAN IN THE REST OF THE WORLD THROUGHOUT THE 1990s. WHETHER IATA'S FORECASTS ARE RIGHT OR WRONG, IT IS CLEAR THAT UNLESS MORE AND BETTER FACILITIES ARE BUILT -- SOON -- THE INDUSTRY WILL COME NOWHERE NEAR REALIZING ITS TRUE POTENTIAL.

HERE AND THERE, THERE ARE SIGNS OF HOPE. IN ADDITION TO COMING TO YOUR CONFERENCE, I AM IN HONG KONG TO ATTEND A SEMI-ANNUAL MEETING OF THE WORLD TRAVEL AND TOURISM COUNCIL, A GLOBAL COALITION OF TRAVEL-AND-TOURISM-INDUSTRY CHIEF EXECUTIVES WORKING TO PROMOTE AN APPRECIATION OF, AND SUPPORT FOR, TRAVEL AND TOURISM AROUND THE WORLD. IT'S A GOOD FIRST STEP -- BUT THERE IS MUCH MORE WE CAN ALL DO.

THE THEME OF YOUR PATA CONFERENCE IS THE SYNERGY BETWEEN SERVICE AND TECHNOLOGY -- AND TECHNOLOGY HOLDS GREAT PROMISE.

- THERE CAN BE AIRPLANES CAPABLE OF FLYING FURTHER, WHICH WOULD GIVE US THE ABILITY TO TAKE PEOPLE NONSTOP ACROSS GREATER DISTANCES WITHOUT FORCING THEM TO TRAVEL THROUGH HUBS.
- THERE CAN BE LARGER AIRCRAFT, WHICH WOULD GIVE US THE ABILITY TO CARRY MORE PEOPLE LESS EXPENSIVELY.
- THERE CAN BE BETTER NAVIGATION SYSTEMS, WHICH WILL IMPROVE SAFETY, OPTIMIZE FLYING TIMES AND CONSERVE FUEL.

-- AND THERE CAN BE BETTER ON-BOARD ENTERTAINMENT AND COMMUNICATION SYSTEMS, WHICH WILL MAKE IN-FLIGHT TIME BOTH MORE ENJOYABLE AND MORE PRODUCTIVE.

-- THERE CAN BE BETTER DATABASES AND FASTER, MORE CAPABLE COMMUNICATIONS SYSTEMS, WHICH WILL FACILITATE IMMIGRATION PROCEDURES, BAGGAGE HANDLING, TERMINAL OPERATIONS AND A HOST OF OTHER ADMINISTRATIVE TASKS ASSOCIATED WITH TRAVEL.

-- AND, OF COURSE, DISTRIBUTION SYSTEMS CAN -- AND WILL -- BECOME MORE AND MORE CAPABLE.

BUT UNLESS WE ARE ABLE TO OFFER OUR CUSTOMERS THE FREQUENT, CONVENIENT, AFFORDABLE SERVICE THEY WANT, NONE OF THIS WILL BE OF GREAT MOMENT.

HENCE, IT SEEMS TO ME THAT EVERY TRAVEL PROFESSIONAL -- INCLUDING EVERY PATA MEMBER -- SHOULD BE USING HIS OR HER OWN CONTACTS AND INFLUENCE TO HELP SWEEP AWAY THE OBSTACLES PREVENTING THE UNFETTERED DEVELOPMENT OF TRAVEL AND TOURISM.

THOSE WHO MAKE POLICY NEED FACTS, AND THOSE OF US WHO UNDERSTAND THE INTRICACIES OF OUR BUSINESS NEED TO DO MORE THAN WE HAVE IN THE PAST TO BE SURE POLICY MAKERS UNDERSTAND THE ASTONISHING BENEFITS THAT WOULD RESULT FROM MORE LIBERAL AVIATION POLICIES -- AND THE MANY POSITIVE IMPACTS THAT

LIBERALISM WILL HAVE ON EVERY ELEMENT OF TRAVEL AND TOURISM, AND IN TURN ON THE OVERALL STRENGTH OF THE WORLD'S ECONOMIES.

MOREOVER, CONSUMERS AND LAWMAKERS ALIKE NEED TO FOCUS ON HOW POWERFULLY COMPETITION STIMULATES SERVICE EXCELLENCE -- AS WELL AS ECONOMIC GROWTH. THEY NEED TO UNDERSTAND THAT THE ALTERNATIVE TO LIBERALIZATION IS REGULATION... THAT THE ALTERNATIVE TO OPPORTUNITY IS LIMITATION... AND THAT THE ALTERNATIVE TO EXPANSION IS STAGNATION.

PACIFIC-RIM NATIONS -- INDEED, NATIONS EVERYWHERE -- NEED AVIATION SERVICES CIRCUMSCRIBED ONLY BY CONSUMER DEMAND AND PROVIDER CAPABILITY -- NOT BY ARBITRARY GOVERNMENT DECISIONS.

THE PUBLIC WANTS OUR PRODUCT. EVERY STUDY WE CAN FIND SAYS THAT IN EVERY COUNTRY, AS INCOMES RISE AND CURIOSITIES AWAKEN, PEOPLE CLAMOR FOR ACCESSIBLE, AFFORDABLE AIR TRANSPORTATION. TO MEET THAT DEMAND -- AS WE ALL WANT TO DO -- WE NEED POLICIES THAT ENCOURAGE RATHER THAN PREVENT, AVIATION GROWTH. WITHOUT THEM, WE CAN HAVE NO HOPE OF CREATING THE MOST JOBS AND THE MOST WEALTH FOR EVERYONE.

LADIES AND GENTLEMEN, WE ARE ALL LOSING LOTS OF MONEY AND LOTS OF OPPORTUNITIES BECAUSE OF DELIBERATE PROTECTIONISM AND INADEQUATE INFRASTRUCTURE. I HOPE YOU ALL WILL HELP US SOUND THE ALARM AND URGE OUR GOVERNMENTS -- INDIVIDUALLY AND COLLECTIVELY -- TO TAKE THE ACTIONS NEEDED TO SET OUR BUSINESS

FREE.

THE TRAVELING PUBLIC -- THE CITIZENS OF OUR SEVERAL NATIONS
... THE WHOLE WORLD -- DESERVE NO LESS!

THANK YOU VERY MUCH.