U.S. TRAVEL
ASSOCIATION

BACKGROUNDER ON OPEN SKIES POLICY

WHAT ARE OPEN SKIES AGREEMENTS?

- Open Skies agreements permit unrestricted market access in international aviation; carriers, not government, decide when and where they will fly.
- Since it was first proposed in the late 1970s, Open Skies policy for open market access in international aviation has enjoyed strong bipartisan support.
- Starting with the first agreement with The Netherlands in 1992, the U.S. has now negotiated Open Skies agreements with more than 100 countries.
- These agreements eliminate government control over routing, frequency, and pricing, and have led to lower fares, more competition, and higher passenger growth.
- Open Skies has expanded international air service to the U.S., increased inbound international travel, and benefited America's travel industry.

HOW DO THEY BENEFIT TRAVELERS AND OUR ECONOMY?

- Since 2009, increased international travel to the U.S. has delivered $50 billion to our economy. Open Skies policy has fueled much of this growth.
- A new economic study reports that Open Skies agreements have also generated at least $4 billion in benefits for travelers, including lowering fares by nearly 15 percent. Negotiating more Open Skies agreements could bring an additional $4 billion per year in traveler gains.[1]
- Other economists have noted that fares have fallen 32 percent in routes subject to Open Skies agreements compared to markets that remained regulated.[2]

WHAT CHANGES ARE U.S. LEGACY AIRLINES PROPOSING?

- The three U.S. legacy carriers—Delta, United and American—and their associated alliances with foreign carriers (SkyTeam, Star Alliance, and oneworld) have shifted focus from competing in the marketplace to persuading the U.S. government and governments abroad to limit market access.
- The example of Norwegian Air International (NAI) is illustrative: The largest legacy U.S. airlines and their foreign carrier partners (which are exempt from antitrust laws) are lobbying in tandem against new competitors such as NAI.
- They are advocating what they call "Fair Skies" policy, which essentially is about government-mandated division of markets as opposed to more vigorous and innovative competition (which has been the hallmark of U.S. Open Skies policy).
- This marks a departure from cornerstone provisions fundamental to U.S. Open Skies agreements. The U.S. includes in all its Open Skies agreements a commitment that "*neither Party shall unilaterally limit the volume of traffic, frequency or regularity of service, or the aircraft type or types operated by the airlines of the other Party*."

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[1] Clifford Winston and Jia Yan, "Open Skies: Estimating Travelers Benefits from Free Trade in Airline Services," American Economic Journal (forthcoming 2015), at 4.

[2] Cristea, Anca, David Hummels, and Brian Roberson. 2012. "Estimating the Gains from Liberalizing Services Trade: The Case of Passenger Aviation," working paper, Department of Economics, University of Oregon, quoted in Winston, op. cit., at 2.

THE GULF AIRLINES: A CASE STUDY

- The three U.S. legacy carriers are particularly concerned about the growth of Emirates, Etihad, and Qatar Airways, which have all expanded rapidly in the past decade using their hubs in the Middle East to carry passengers around the world.
- These Gulf carriers are contributing to the boom in global air travel. For example, Emirates alone provides 304 weekly flights to Brazil, Russia, India, and China.
- A recent study using Department of Transportation data calculates that the entry of Gulf airlines into U.S. markets led to significant increases in passenger numbers, particularly to the Midwest, West, and Southern regions of the U.S.[3]
- Adding traffic from the Gulf brings visitors from around the world—Europe, the Middle East, Asia, and Oceania—to the U.S., benefiting the entire U.S. travel industry and the nation's economy as a whole.

WHAT IS U.S. TRAVEL'S POSITION?

- U.S. Travel Association's mission is to increase travel to and within the United States.
- Preserving Open Skies agreements is critical to growing America's share of the highly lucrative market for international travelers; therefore, this issue is fundamental to our core priorities.
- U.S. Travel advocates for modernizing U.S. airports, stopping anti-competitive behavior, and increasing air service and airport capacity.
- U.S. Travel views this fundamentally as a growth issue: growth for the U.S. economy and the travel industry, including destinations, hotels, rental car companies, travel promotion groups, attractions, and others that benefit from welcoming more international visitors.
- In 2012, President Obama set an ambitious goal to welcome 100 million international visitors each year by 2021 as a part of a National Travel and Tourism Strategy. Open Skies agreements expanding international capacity are critical to achieve this goal.
- U.S. Travel advocates for both the traveler and the entire travel industry. Promoting policies like Open Skies that add capacity, lower fares, expand new routes, and make entry to the United States easier are an essential part of our efforts.

[3] Cristea, Anca, David Hummels, and Brian Roberson. 2012. "Estimating the Gains from Liberalizing Services Trade: The Case of Passenger Aviation," working paper, Department of Economics, University of Oregon, quoted in Winston, op. cit., at 2.