

Mr. BOND. Mr. President, I will be very brief. First, I want to express my deep appreciation to our esteemed leader of the Budget Committee, Senator DOMENICI of New Mexico, for doing an outstanding job. My appreciation also goes to Senator EXON for his steadfastness and to the members of the staff, who have done a remarkable job. It has been a pleasure and a real treat to work with them. It has been an extremely difficult measure, but they did it very well.

MORNING BUSINESS

Mr. DOMENICI. Mr. President, I ask unanimous consent that there be a period for morning business with Senators permitted to speak therein for up to 5 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

U.S./GERMAN OPEN SKIES AGREEMENT

Mr. PRESSLER. Mr. President, a truly historic moment occurred in Milwaukee today when the United States and the Federal Republic of Germany formally signed an open skies agreement which will liberalize air service between our two countries. To underscore the importance of this agreement, I was pleased both President Clinton and Chancellor KOHL were on hand to sign it.

As I have said before, the U.S./German open skies agreement is a great economic victory for both countries and a very welcome development for consumers. Under the agreement, airlines of both countries will be free to operate to any points in either country, as well as third countries, without limitation. It also liberalizes pricing, charter services and further liberalizes the open skies cargo regime already in place. In short, it allows market demand, not the heavy hands of governments, to decide air service between the United States and Germany.

In addition to direct benefits, I have long said such an agreement would serve as a catalyst for liberalizing air service markets throughout Europe. Recent news reports indicate the competitive impact of the U.S./German open skies agreement is already being felt. For instance, since last October the British government, which is highly protective of the restrictive U.S./U.K. bilateral aviation agreement, expressed no willingness to seek to improve air service opportunities between the United States and the United Kingdom. This week, however, British negotiators came to Washington whistling a very different tune.

The competitive impact of the U.S./German open skies agreement also is being felt in U.S./France aviation relations. Since the French renounced our bilateral aviation agreement in 1992, the French government had shown no interest in negotiating a new air service agreement with the United States.

Like the British, the French too are whistling a different tune as a result of the U.S./German open skies agreement.

I welcome reports the Government of France finally has expressed an interest in discussing a liberal bilateral aviation agreement. No doubt this abrupt change in course is due to the competitive reality that France is now virtually surrounded by countries enjoying open skies agreements with the United States. Like a huge magnet, these countries with open skies regimes are drawing passenger traffic away from French airports.

For instance, last year combined traffic at the two major Paris airports, Orly and Charles de Gaulle, fell nearly 1 percent. What makes this statistic remarkable is elsewhere in Europe—particularly in countries with open skies relations with the United States—passenger traffic growth has been robust at major airports. For instance, passenger traffic rose 8.7 percent at Frankfurt Main Airport, 7.6 percent at Amsterdam Schiphol Airport, and 11 percent at Brussels Zaventem Airport.

Clearly, the French realize the U.S./German open skies agreement is only going to make the problem of passenger traffic diversion much worse. As I have said repeatedly, competition will be our best ally in opening the remaining restrictive air service markets in Europe. At great cost to its economy, the French are learning this lesson firsthand.

Mr. President, I commend to my colleagues an article describing the competitive impact of the U.S./German open skies agreement which appeared today in the *Aviation Daily*. I ask unanimous consent that a copy of that article be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PRESSLER. Let me conclude by saying the U.S./German open skies agreement is unquestionably our most important liberalized air service agreement to date. I again praise the bold and steadfast leadership of Secretary of Transportation Federico Pena and German Transport Minister Matthias Wissmann in securing this agreement. Both the United States and Germany will benefit greatly from their leadership which turned an excellent opportunity into a truly historic trade agreement between our two countries.

EXHIBIT 1

[From *Aviation Daily*, May 23, 1996]

NEW CARRIER ALLIANCES FUEL HOPES FOR U.S.-U.K., EUROPE OPEN SKIES

The emergence of powerful, antitrust-immunized alliances and increasingly open aviation regimes in fueling expectations of breakthroughs in U.S.-U.K. and U.S.-European Union relations. In a Senate floor speech Tuesday, Commerce Committee Chairman Larry Pressler (R-S.D.) said "a truly historic opportunity may be at hand to finally force the British to join us on the field of free and fair air service competition." The chief catalyst for this opportunity is the potential alliance between American and British Airways. With pub-

lished reports saying BA and American are close to announcing "a major business alliance," British officials "came to Washington [Monday] to assess the price tag for the regulatory relief the new alliance would require," said Pressler. "I am pleased initial reports indicate [DOT] reaffirmed its longstanding position: Nothing short of full liberalization of the U.S./U.K. air service market would be acceptable," he said. "If the administration stands firm, as I believe it must, the current restrictive U.S.-U.K. bilateral aviation agreement will be cast into the great trash heap of protectionist trade policy, where it belongs."

Pressler traced the potential for a U.K. breakthrough to the U.S.-Germany open skies agreement, struck early this year. "Simply put, the possible British Airways/American Airlines alliance is a competitive response to the U.S./Germany open skies agreement and the grant of antitrust immunity to the United Airlines/Lufthansa alliance," he said. Pressler was active in developing the U.S.-Germany pact, a point underscored on the Senate floor by Sen. Trent Lott (R-Miss.), who said Pressler's "steadfast leadership was instrumental in securing" the open skies agreement. Lott made public letters from DOT Secretary Federico Peña, who praised Pressler's "bipartisan leadership role" on the issue, and German Transport Minister Matthias Wissmann, who called Pressler "a cornerstone in this development."

In his speech, Pressler said, "If the Delta alliance with three smaller European carriers is granted a final antitrust immunity order later this month, that alliance—in combination with the United and Northwest alliances—will mean nearly 50% of the passenger traffic between the United States and Europe will be carried on fully integrated alliances." This will leave BA "with no choice but to respond. It now appears to be doing so by seeking to ally itself with the strongest U.S. carrier available and ultimately, to seek antitrust [immunity] for its new alliance." The price tag for the regulatory relief for such an alliance "must be nothing less than immediate open skies," said Pressler.

Industry observers are looking toward next week's European Transport Ministers Conference and a meeting of the European Union Council of Ministers in mid-June for possible progress in EU-U.S. aviation relations. Delta Chairman, President and Chief Executive Ronald Allen urged the EU to move "boldly and swiftly" toward an open skies relationship with the U.S. as "the next necessary step forward for world aviation. It is important that we take the step soon." In a speech yesterday before the European Aviation Club in Brussels, Allen praised EU Transport Commissioner Neil Kinnock's proposal that the European Commission be given a mandate to negotiate EU-wide open skies with the U.S. "He is trying to open the door to meaningful transatlantic competition and integration," Allen said. Some observers believe Kinnock will gain at least limited authority at the Council of Ministers Meeting.

Allen said Delta backed a number of proposals that may help the talks, including an increase in permissible foreign ownership of U.S. carriers from 25% to 49%. He said the carrier will work for changes in U.S. bankruptcy laws that allow airlines to continue operating while avoiding financial responsibilities, but the EU must also change its policy allowing state subsidies for troubled carriers. "Both these assistance measures distort marketplace competition and penalize carriers that have made the difficult choices necessary to make their companies competitive and financially sound," said Allen. He added that the EU also must resist moves to hamper competition through "safety net" regulations.