

How ~~Do~~ We Comp

7+ Ways to Level the Playing Fi

Competitiveness runs deep in the airline world. As airline pilots, you work in a type-A industry defined by personalities eager to maintain control over the flight path of your careers and your airlines. You have a vested interest in your particular airline doing well. In the past, that meant having to compete with other airlines in your country. Today, you'll need to look abroad for the biggest threats to your livelihood. ALPA recently unveiled its white paper titled "Leveling the Playing Field for U.S. Airlines and Their Employees," which outlines clear policies that the U.S. government must pursue to maintain and advance a strong airline industry—one that stands a fighting chance to compete and prevail in the global air transportation market.

"In the global marketplace, competition exists not only

between companies, but between governments. Foreign airlines, particularly in the Persian Gulf, operate under governments that make promoting strong and competitive carriers a national priority," explained Capt. Lee Moak, ALPA's president, in a speech before the Aero Club of Washington, D.C., where ALPA released the white paper.

While foreign countries invest heavily in airports and infrastructure, advance pro-aviation economic policies, and build state-of-the-art air transportation systems, the U.S. continues to promote many policies that actually hinder the U.S. airline industry and its employees' ability to compete in the global marketplace.

Here are seven ways the U.S. government can level the playing field (all recommendations can be found in ALPA's white paper). 🌐

1 **Reform aviation tax policy to help increase the international competitiveness of U.S. airlines.**

Let's do a quick comparison of the environments our governments are fostering. Middle Eastern flagship airlines are often state-owned or heavily sponsored in countries that provide low or non-existent tax and regulatory burdens. But here in the U.S., the airline industry is the most highly taxed industry in the country. The airline industry leads all others in the U.S. with 17 unique taxes and fees from the federal government. That's 20 percent of the total airline ticket price going to taxes—a tax rate that's higher than taxes paid on alcohol, tobacco, and firearms. The bottom line—Flying isn't a sin and shouldn't be taxed as such.

2 **Reform Export-Import Bank financing.**

Every taxpaying U.S. citizen partly subsidizes the rapid growth of international competitors. Many foreign airlines buy U.S.-manufactured airplanes with below-market financing rates through the Export-Import Bank. In fact, the bank provided more than 634 airplanes and \$34.5 billion in financing from 2005 to 2010, with \$11.4 billion coming in 2011 alone. The recipients of this funding (airlines such as Emirates and Air India) then use those bank-funded airplanes to compete, with significantly lower costs, against U.S. airlines on international routes, to the detriment of U.S. airlines and their employees.

Congress recently passed important reforms to help ensure that U.S. industry and workers are not harmed by how the Ex-Im Bank chooses to lend U.S. taxpayer dollars. The bill, signed by President Barack Obama on May 30, 2012, requires the U.S. to negotiate an end to worldwide subsidies of widebody airplanes—a top ALPA priority. It also shines some much-needed light on the bank's financing processes, which should lead the bank to operate in a more transparent fashion. ALPA will continue to monitor how the U.S. spends its taxpayers' dollars, especially if it's to the detriment of its members' airline careers.

3 **Invest in NextGen** to promote greater safety and efficiency, leading to more profitable airlines and enhanced customer experience, which adds up to industry growth and job security.

4 **Maintain the current U.S. foreign ownership control and foreign cabotage restrictions.**

5 **Protect U.S. flying.**

Pass legislation to ensure that a close correlation exists between the portion of revenue an airline receives from a revenue-sharing arrangement that involves international air transport services and the amount of actual flying the airline itself engages in as part of that agreement. Additional government oversight is also needed—namely approval of all joint venture agreements.

6 **Improve safety and security standards at the International Civil Aviation Organization (ICAO).**

While the U.S. has historically led the world in setting aviation safety and security standards, much of the rest of the world is not keeping up with its high standards. Many developing states use the ICAO standards as their own body of aviation regulations, making the ICAO guidance the de facto "minimum acceptable standard" worldwide. Establishing higher ICAO standards can also prompt other governments to meet those standards.

GULF AIR

HQ: Bahrain

Existing fleet: 35

On order: 74, including
30 A330s



To read ALPA's "Leveling the Playing Field for U.S. Airlines and Their Employees" white paper, visit levelingthefield.alpa.org or scan the QR code.

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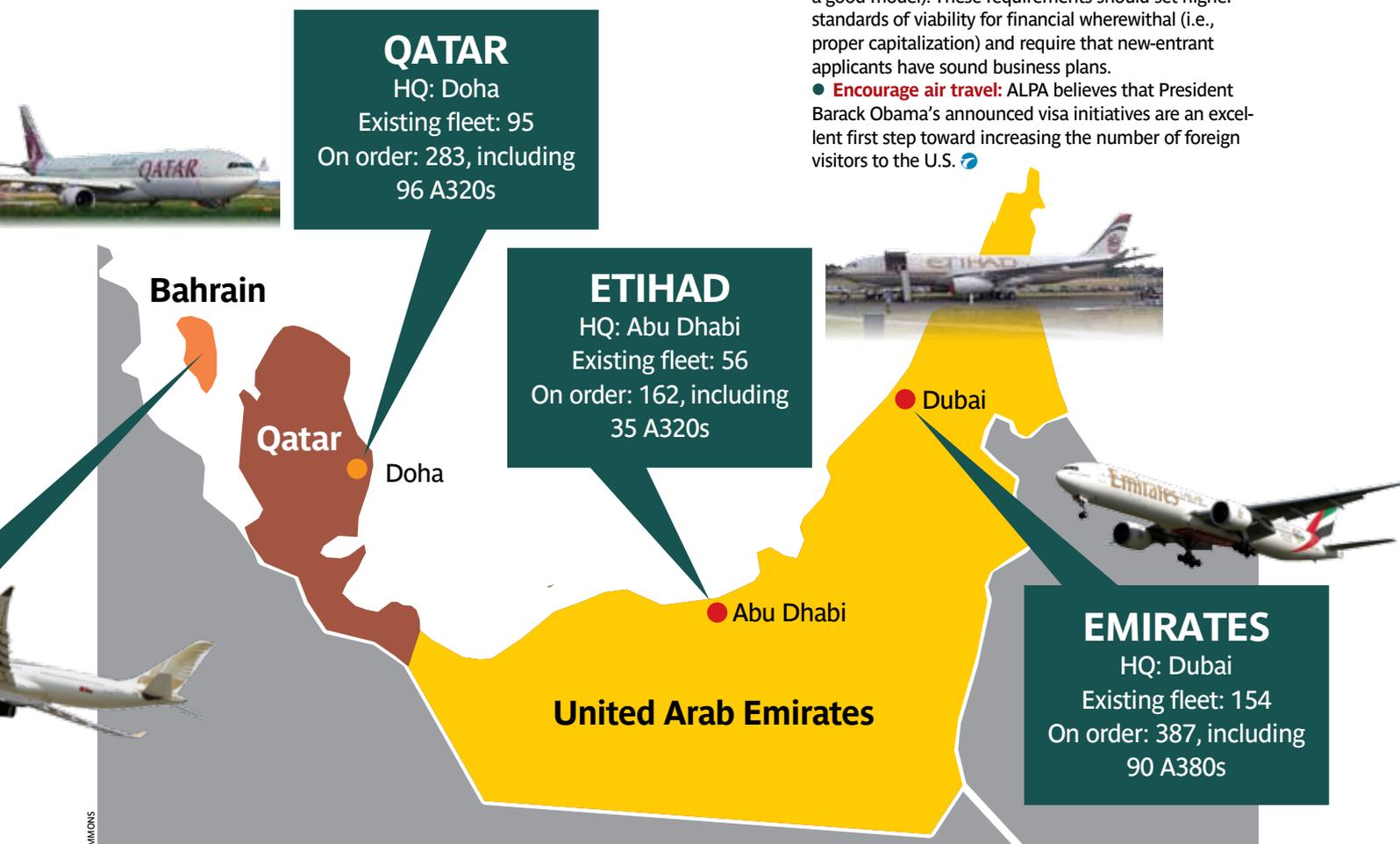
By Molly Martin, Contributing Writer

7 Curb oil speculation. Fuel is often the largest and certainly the most volatile expense for the airline industry. Dramatic price swings have added significant stress to an already beleaguered industry and make long-term planning almost impossible. In today's marketplace, the price of oil is increasingly driven by speculators, not by producers and consumers of oil. In the last decade, the level of speculative trading in crude oil futures contracts on the New York Mercantile Exchange is up by 600 percent. A Deutsche Bank analysis estimates that every one cent increase in jet fuel prices on an annualized basis equals an additional fuel expense of \$170 million for the U.S. airline industry.

Congress should pass S. 1598, the Anti-Excessive Speculation Act, which curbs oil speculation while allowing legitimate hedging. It sets bona fide hedging transactions like those that airlines engage in. Under that bill, no single trader could hold more than 5 percent of the oil futures market, thereby greatly reducing the risk that any trader would be able to corner, squeeze, or otherwise manipulate oil and gas prices.

+Other Good Ideas

- **Negotiate ironclad Open Skies agreements:** In cases in which U.S. workers are exposed by virtue of future Open Skies agreements, the government must protect airline employees by developing and enforcing provisions to safeguard U.S. flying.
- **Reform the bankruptcy code:** Return the Section 1113 process to its original intent of providing a fair process to balance the need for economic restructuring for distressed employers with a basic level of protection of workers' vested interests.
- **Tame new-entry madness:** Since deregulation, more than 200 airlines have come and/or gone. It's time to strengthen the requirements for new entrants (the European Union standards for new entrants could be a good model). These requirements should set higher standards of viability for financial wherewithal (i.e., proper capitalization) and require that new-entrant applicants have sound business plans.
- **Encourage air travel:** ALPA believes that President Barack Obama's announced visa initiatives are an excellent first step toward increasing the number of foreign visitors to the U.S. 🌐



MEET YOUR GLOBAL COMPETITION

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