ATA TESTIMONY

Maintaining a Safe and Viable Aviation System: Priorities from Aviation Stakeholders

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AIR TRANSPORT ASSOCIATION

Thank you for this opportunity to appear before the subcommittee to share the airlines' perspective. Today, I would like to bring you up-to-date on the changes in industry dynamics since we last met in 2000, our priorities and challenges, and what can be done, with leadership from this committee, to allow our nation's airlines to operate successfully in a global business environment.

Let me start on a positive note. The nation's passenger and all-cargo airlines run an incredibly complex global business, fueling the local, national and world economies. While not perfect, we are proud of our performance as we:

- Above all else, maintain a safety record that is second to none, and the airlines remain laser-focused on further improvements
- Help drive nearly 11 million U.S. jobs and $1.2 trillion in annual economic activity
- According to FAA, contribute 5.2 percent of U.S. GDP – $732 billion a year
- Account, through air shipments, for nearly $1 billion every day in international trade, with the value of freight carried by aircraft 89 times that of the value of freight carried by truck
- Operate 26,000 daily flights, carrying 1.9 million passengers and more than 45,000 tons of cargo to thousands of destinations around the world
- Offer domestic fares at 1998 levels, an extremely pro-consumer value that is often ignored, and
- Have an enviable environmental record, increasing our fuel efficiency by approximately 110 percent from 1978 to 2008, and reducing our greenhouse gas emissions by 5.5 percent while transporting 17 percent more passengers and cargo.

What is particularly remarkable is that we continue to fuel the local, national and global economies and operate safer than ever despite innumerable setbacks beyond our control. The global recession severely weakened demand for travel. As people spent less money on commercial air travel, the hit to the airlines was staggering: $36 billion <u>less</u> passenger revenue in 2009, than our historical share of the economy would have predicted. Capacity is way down, with a net reduction of 1,300 planes and many communities seeing reduced service or losing service altogether. Although some corporate travel is returning, FAA recently revised its forecast, pushing back the date when we are expected to reach the one-billion passenger mark. In 2000, FAA forecast we would hit that milestone in 2009. The 2010 forecast pushes the date to 2023. That 14-year delay paints a sobering picture. And when the economy finally turns the corner and the worst is behind, there is no reason to think that demand for air travel will grow exponentially, allowing airlines to recoup any of their multibillion dollar losses or, for that matter, to avoid even greater losses going forward.

Certainly, the past decade has been difficult: airlines have lost $60 billion, are unable to cover the cost of capital and most suffer from poor credit ratings. And yet despite their ability to drive jobs and commerce, airlines face skyrocketing government and airport taxes and fees that now constitute 20 percent of a typical round-trip domestic fare; volatile fuel prices that are nearly quadruple what they were 10 years ago; arcane regulatory barriers that keep us from operating as true international businesses; and an inefficient air traffic control system (ATC) that costs the entire economy an estimated $40 billion a year in lost time, lost productivity and unnecessary fuel burn/emissions. Absent a real sea change, the industry will continue to contract and, ultimately, lose its competitive edge.

And make no mistake about it, our inability to stabilize and reach profitability harms our employees and the entire economy: We've lost 30 percent of our workforce – 163,000 fewer jobs today than in early 2001. It harms the communities and families that have lost service. It harms the companies that manufacture and sell us equipment and technologies, and the travel and tourism sector that depends on robust air service: hotels, resorts, taxis, retailers, restaurants, etc. – again, jobs are lost. Finally, and I know the committee will appreciate this consequence more than many, it harms U.S. global competitiveness and threatens our longstanding aviation leadership. The industry's economic viability is tied to the nation's economic viability.

So, what can be done to turn the tide? Admittedly, some things the government cannot control. The February snowstorms cost airlines an estimated $150 million from canceled flights and schedule reductions. But over the long run, much of our success does depend on sound government policies; government should 'do no harm' and not inhibit our economic progress. We will continue to keep safety as our top priority. We ask the government to:

- <u>Stop talking about modernizing the nation's ATC system and get it done</u>. NextGen – surveillance (ADS-B), navigation (RNAV/RNP procedures), safety-enhancing equipment (cockpit displays) and other technologies – can transform the system in a matter of years, rather than waiting until 2025 and beyond. The government should lead the way and fund ATC infrastructure equipment on the ground and inside the plane.
- <u>Stop considering the airlines and their customers as ATMs</u>. Last year, we paid $10.3 billion to fund FAA operations and ATC, and $3.5 billion for Department of Homeland Security (DHS) functions, on top of federal state and local corporate taxes. Add to that the $2.5 billion in passenger facility charges (PFC) and $7 billion in fees and charges paid to airports. Even in today's economy, airports are pressing to increase the PFC from $4.50 to $7.50 per flight segment, and DHS wants to increase the passenger security fee beginning in 2011, to bring in an additional $7 billion over a four-year period. Airlines and their customers are literally being taxed to the breaking point.
- <u>Control excessive speculation in the energy markets</u>. Fuel, our top cost, is often the difference between success and failure. With oil surging to $147 a barrel in July 2008, airlines spent nearly four times as much on fuel that year than in 2000. Last year, our fuel bill was almost $33 billion. Real reforms – position limits, market transparency and elimination of loopholes – will bring predictability to the markets.
- <u>Don't impose unnecessary climate change costs</u>. Climate change taxes could add another $5 billion to the airlines annual fuel bill – at a minimum. We need no incentive to control fuel burn and already have a remarkable environmental record. Airlines operate around the world and cannot be subject to multiple, often conflicting, climate change tax schemes. We understand our responsibility and have made significant commitments to control emissions by working through the International Civil Aviation Organization (ICAO).
- <u>Eliminate barriers to international business opportunities</u>. U.S. airlines, unlike U.S. telecommunications and banking institutions, are precluded from using tools that will make us stronger, like investment opportunities, cross-border ventures, mergers and acquisitions. We must be able to compete effectively in the global marketplace.

A strong U.S. airline industry drives jobs, commerce and U.S. competiveness. Although the challenges appear daunting, there are solutions that will restore the industry to financial stability. We ask for and appreciate your leadership in helping us fulfill our potential to be a successful and sustainable industry.

Thank you.