A SOUND COURSE FOR U.S. INTERNATIONAL AVIATION POLICY

The U.S. aviation industry and its employees continue to recover from the severe economic effects of the September 11 attacks. While the major air carriers are showing limited signs of improvement, they are still struggling in a strained U.S. economy to return to profitability and at the same time meet the increased security costs necessitated by the horrific terrorist attacks. Meanwhile, most of the more than 150,000 airline, aircraft manufacturing and other related industry employees laid-off since September 11 remain the front-line victims of the airline sector's economic meltdown. It is against this backdrop, that our government has the responsibility to protect the aviation industry and its workers from the obvious agenda of many foreign companies and governments that seek to gain new entry rights into our marketplace.

Clearly, the laws and regulations that protect American interests may be at risk as the Bush Administration seeks to negotiate a new air service agreement with the European-Union (EU). In addition, Richard Branson, founder and CEO of foreign-based Virgin Group Ltd., continues his drive to eliminate foreign ownership and control rules as he prepares to launch a low-fare carrier in the U.S. While certain rules governing international air transport services can be altered through open-skies agreements and other pacts, the regime of domestic laws and regulations in the U.S. are far too important to bid away under some misguided Administration trade doctrine or in the interest of currying favor with our trading partners in the EU. Transportation labor will mobilize against any proposed aviation policy changes that would harm the jobs of American workers.

In November 2002, the European Court of Justice ruled that bilateral open-skies agreements concluded between eight EU member states and the U.S. were contrary to EU law. Based on this decision, the European Commission (EC), which has always maintained that as a bloc of nations the EU could secure greater concessions from the U.S. than individual EU countries, entered into talks with the U.S. to negotiate a new EU-wide aviation accord. The U.S. and the EU have just completed their third round of negotiations. The European ministers of transport are set to meet next week, March 9, to consider their response to the recent U.S. proposal and the fourth round of talks is scheduled for the week of March 29.

As these negotiations continue, it is imperative that the Bush Administration reject proposals to change U.S. laws or regulations that would threaten U.S. workers and the domestic industry. In particular, the Administration must not embrace changes in policy that would permit foreign carriers to engage in "cabotage," or the carriage of U.S. domestic traffic. The potential loss of jobs and employee dislocation that would result from such a dangerous course in policy are tremendous and obviously indefensible. National security concerns alone should dictate that foreign carriers, often controlled by foreign governments, must not be granted unlimited access to our domestic markets. While we are heartened that U.S. negotiators have specifically included a prohibition on the carriage of cabotage traffic in their proposal to the EU, we note that many on the other side remain hopeful that a weakening of this protection can and will be included in a final agreement. We urge the Administration to hold firm on its current position.

In regard to current rules that limit foreign ownership and prohibit foreign control of U.S. airlines, we will continue to oppose any proposal that harms U.S. aviation workers. We note with concern that the U.S., as part of its most recent proposal, has stated that it will seek a change in law that will allow foreign interests to own up to 49 percent of the voting stock of a U.S. carrier. This proposal is identical to one the Bush Administration sent to Congress last year – a proposal that neither the House or Senate even considered during consideration of the then pending FAA Reauthorization bill. Even more problematic, the U.S. negotiators committed to allowing a EU-U.S. joint committee, after an initial agreement is reached, to consider eliminating or further weakening restrictions on ownership and control. Transportation labor has opposed allowing foreign entities to control U.S. carriers and we will do so again if the Bush Administration pursues such a policy course.

We are also concerned with a U.S. proposal that would permit EU airlines holding a license in one EU country to be "designated" as a European carrier by the EU. In short, this would create a "flag of convenience" scheme, so prevalent and damaging in the maritime industry, whereby a carrier could choose to receive its license from a EU country with low labor and regulatory costs yet fly out of and enjoy the benefits of operating as an airline of another EU country. While some harmonization of EU laws have occurred, we would note that dramatic differences remain between various EU nations regarding, for example, the selection of collective bargaining representatives, the formation of collective bargaining agreements, and the enforcement of those agreements. The type of forum shopping that these differences encourage could result in a "race to the bottom" in labor standards as foreign carriers seek out countries with the labor laws most beneficial to their financial interests. Not only would this jeopardize the rights of EU carrier employees, but it would place U.S. workers and carriers at an unfair competitive disadvantage. Transportation labor will speak out forcefully against deployment of a "flag of convenience" scheme.

We will also oppose changes to U.S. "wet lease" rules that the EC is pushing. These rules require that when a U.S. air carrier leases a foreign aircraft, it cannot do so using a foreign crew. This limitation continues to ensure that U.S. carriers do not utilize foreign aircraft as a way of circumventing the U.S. workforce and their collective bargaining agreement protections. The EU may also seek changes to the "Fly America Act" which stipulates that only U.S. airlines may provide transportation paid for by the U.S. government. Finally, EU countries may want to pursue participation by their carriers in the Civil Reserve Air Fleet (CRAF), which is, for good reason, restricted to U.S. carriers. Airlines that participate in the CRAF program voluntarily commit to provide aircraft, crews, fuel, maintenance, and ground support equipment in support of U.S. military operations in times of conflict or national emergency. In return, participating carriers are eligible to receive peacetime government business, a market totaling $2 billion annually. This program has served America's national security and defense needs while at the same time supporting the U.S. aviation industry and its workers. These longstanding U.S. policies support the national interest and should not be disposed of or altered simply to satisfy EU interests at the negotiating table. Transportation labor will oppose proposals to alter policy governing wet leasing, the Fly America Act and the CRAF program in a manner that harms aviation employees in this country.

At the same time that the U.S. is negotiating an agreement with the EU that could result in major changes in U.S. aviation policy, global business magnate Richard Branson is close to announcing a base of operations for his new low-cost U.S. air carrier – Virgin USA. As the beauty contest between U.S. cities vying for Branson's business is concluded, it must be remembered that Mr. Branson has long pursued a liberalization agenda that would bring great harm to U.S. workers. Indeed, Mr. Branson has stated repeatedly that Virgin USA will be well-positioned to take advantage of a struggling U.S. aviation industry, particularly the large network carriers that employ most of America's airline workers. The competitive pressure this will place on existing carriers is real: Virgin Blue, a low cost carrier the Virgin Group established in Australia, captured almost 30 percent of Australia's domestic market in just three years. Clearly, the introduction into the U.S. market of a low-cost carrier owned and controlled by a foreign company stands to undermine a critical U.S. industry that is a major engine of job creation and economic development. In fact, every aviation job in this country supports another 18 American workers.

If Mr. Branson should proceed with his plans to launch a U.S. airline and chooses to apply with the Department of Transportation for a certificate, the message from our government must be clear – America will not bend the rules for Virgin USA. Transportation labor will strongly oppose, and spotlight, any proposed rule-bending or suspect interpretation of U.S. law or regulation that would threaten the jobs or rights of U.S. airline workers.

The U.S. aviation industry and its workers are just beginning to emerge from one of the worst economic downturns in history. But the challenges this sector faces remain serious. Given the importance of the aviation industry to our national economy and security, our government must reject one-sided international accords or suggestions that we change or bend our aviation rules in a way that could undermine these critical interests. Transportation labor will participate vigorously in this international debate and we will demand from our policy leaders that they stand-up for America's aviation workers, and not cave in to the demands of foreign interests whose policy proposals clearly conflict with the economic interests of our nation.

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