June 26, 2008

Dear Representative:

The rising cost of oil is of concern to everyone in this country today. Many are worried that they will be forced to choose between filling their automobile gas tanks and purchasing groceries, or about the impact that the escalating price of oil will have on the economy. Our members – the working men and women employed in the aviation industry – have another, more dire concern: will they lose their jobs because their airline is forced to park airplanes or even go out of business? We, the undersigned, are writing to inform you about the current state of the airline industry and recommend ways that Congress can take action now and save our threatened industry and its workers.

A few salient facts about the current state of jet fuel expense, and industry reactions to that expense, helps explain the airlines' predicament. Unlike many other industries which have a choice of electricity, natural gas, coal, heating oil or other sources of requisite energy, airlines have just one energy option for aircraft operations – petroleum-based jet fuel which must meet an exacting specification. Despite great technology driven reductions in jet engine fuel consumption and airline fuel conservation practices, jet fuel expenses have recently become the airlines' largest operating cost, now consuming as much as 40% of every airline revenue dollar, up from 15% in 2000. Jet fuel prices are expected to remain at extremely high levels, increasing 67% from approximately $90.90 per barrel in 2007 to $151.72 per barrel in 2008. Every $1 increase in crude oil prices increases the industry's fuel expense by approximately $465 million, before considering the impact of any hedging. Because our carriers compete globally and fuel is priced in the weak U.S. dollar, our European counterparts experience much less fuel-cost inflation, giving them a competitive advantage over the U.S. industry.

The year 2007 was expected to be the start of an up-cycle for the U.S. airline industry. Instead, the recent spike in energy costs has caused a flood of red ink and analysts now forecast an industry operating loss of as much as $7 billion or more in 2008, one of the largest losses in the industry's history and rivaling that experienced shortly after the events of 9/11. The magnitude of this impact can already be seen in the recent bankruptcies and/or discontinued operations of ATA, Aloha, Champion, Gemini Air Cargo, Skybus, Eos, Frontier, Skyway and Air Midwest. Other airlines have parked airplanes and either furloughed employees, or plan to do so in the near future.[1] This industry contraction is leading to the loss of thousands of skilled jobs and puts U.S. carriers at a disadvantage in the world marketplace. Ironically, the current industry fuel crisis also stifles progress to reduce fuel burn and emissions – there is little chance our suffering industry can afford new more fuel efficient aircraft[2] or greater investment in new fuel research.

The U.S. air transportation system needs both short- and longer-term solutions to the current energy crisis. In the short term, investor speculation in the crude oil market should be addressed via substantive changes to oil commodities trading rules to deflate extreme prices. Congress should also encourage the development of additional energy production focusing on clean and renewable energy sources to aid in reducing dependence on foreign oil and calm ongoing market jitters attributable to instability in oil-producing nations.

It must be recognized that the fuel crisis in the aviation sector is complicated by the fact our industry is heavily taxed – exceeding even "sin" taxes on alcohol or tobacco. Airline travel is the highest taxed good or service available in the U.S. – airline passengers who buy a $300 one-way domestic roundtrip ticket can expect 20% of their ticket charge to go to the federal government in taxes and fees, up from 7% and 13% in 1972 and 1992, respectively. Air travel long ago ceased being a "luxury," and is now a critical component of our worldwide transportation network and a cornerstone of our national economy.

A national research and development project – one which might have the same level of national attention as President Kennedy's famous undertaking to put a man on the moon – should be developed to create a renewable, lower-cost, low- or no-emissions fuel that can supplement, and perhaps even ultimately replace, fossil fuels. We believe the mere announcement of such an undertaking would begin to bring greater stability to the market, improve consumer confidence, and decrease the chance for a severe recession or worse in the coming years. The airline industry is already doing its part – funding a smaller scale research effort, the Commercial Aviation Alternative Fuel Initiative (CAAFI).

The U.S. has yet to unify around a national energy policy and the country's failure to do so has contributed greatly to the airlines' current predicament. Over many decades, those most concerned about protecting the environment have failed to reach agreement with those most interested in energy independence, but we believe that a consensus can and must be reached. We further believe that a well-reasoned energy policy can make greater use of our national carbon-based resources and renewable energy sources, while protecting the environment, reducing or even eliminating our reliance on non-U.S. sources of energy and reducing the cost of energy for all. We call upon Congress to expedite the development and passage of legislation that will establish an energy policy to include these and other worthy goals.

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[1] **American Airlines** is reducing 4th qtr. 2008 mainline domestic capacity by 11-12% year-over-year. **Continental** is cutting 4th qtr. 2008 domestic capacity by 11.4% and reducing its workforce by 3,000. **Delta** is reducing its workforce by 4,000 and cutting 4th qtr. 2008 domestic capacity by 11%. **United** is cutting 4th qtr. 2008 domestic capacity by 14% and reducing the number of salaried employees by 1,400 to 1,600. Nearly 30 cities have lost scheduled airline service in the past year and more service cuts are on the horizon. **US Airways** is reducing mainline capacity 6-8% and reducing its workforce by approximately 1,700. **Northwest** is reducing 4th qtr. domestic consolidated capacity by 7-8%.

[2] There are currently no major aircraft manufacturer plans to produce a next generation narrow body aircraft. We are at least a decade away from aircraft capable of significantly less fuel burn than our current fleet.

The U.S. aviation industry is a critical part of our national economy generating approximately 11% of Gross Domestic Product through airline travel and all related industries. Absent decisive and effective leadership on this issue, the airline industry's fortunes will continue to plummet and harm our members in the process. We would greatly appreciate an opportunity to discuss these issues, and our recommendations, in greater detail with you and your staff.

Sincerely,

John Prater
President
Air Line Pilots Association

Patricia Friend
International President
Association of Flight Attendants-CWA

James Little
President
Transport Workers Union of America

Robert Roach
General Vice President
International Association of Machinists and
Aerospace Workers

Greg Junemann
President
International Federation of Professional and
Technical Engineers

Edward Wytkind
President
Transportation Trades Dept., AFL-CIO