



June 13, 2006

Support the Oberstar-LoBiondo-Poe Amendment Stop the Foreign Control of U.S. Airlines

Dear Representative:

When the House considers the Transportation-Treasury-HUD Appropriations bill this week, I urge you to support an amendment offered by Reps. Jim Oberstar (D-MN), Frank LoBiondo (R-NJ) and Ted Poe (R-TX) that would stop the U.S. Department of Transportation (DOT) from finalizing and implementing its proposal to allow foreign control of U.S. airlines. The Administration's Notice of Proposed Rulemaking (NPRM) has significant and unanswered security implications, would threaten the jobs and rights of thousands of U.S. aviation workers, and is in clear violation of existing law.

While the DOT has attempted to sell this unpopular proposal as simply an interpretation of current law, the reality is that the NPRM goes well beyond the authority Congress has granted the DOT in this area. In fact, the DOT is well aware that legislation allowing foreign interests to control U.S. airlines would not be approved by Congress and this regulatory move is a clear attempt to circumvent the critical role of Congress in setting U.S. aviation policy. When Congress did consider this issue, during the 2003 FAA Reauthorization bill, it refused to grant the Administration's formal request to relax foreign ownership rules and, in fact, affirmed that U.S. airlines must be under the "actual control" of U.S. citizens.

The DOT attempts to get around this clear requirement by proposing new rules that would permit foreign interests to control U.S. airlines while reserving decisions regarding safety and security to U.S. citizens. Besides the fact that this bizarre arrangement has no support in the statute, it is unworkable and does not address the security questions that arise when a foreign interest controls the commercial decisions of a U.S. carrier. For example, under the Civil Reserve Air Fleet (CRAF) program, U.S. carriers – owned and controlled by U.S. citizens – provide our military with critical transport of troops, supplies and equipment during time of war and conflict. While the DOT claims its new rules would require a U.S. citizen to oversee an air carrier's participation in CRAF, many Members of Congress have questioned what would happen if a foreign superior, who controls the purse-strings and commercial decisions of an air carrier, does not want to support U.S. military operations with vital air lift services. The Administration has failed to answer this question.

In an effort to address these concerns, the DOT recently released a supplemental notice that introduces a new concept to an already complicated proposal – that authority delegated to foreign interests must be revocable by U.S. citizens. This change, the DOT claims, would ensure that U.S. interests would remain in actual control of U.S. airlines. This legal fiction ignores the realities of the aviation industry and the fact that a foreign interest will invest in a U.S. carrier

Transportation Trades Department, AFL-CIO

888 16th Street, NW • Suite 650 • Washington, DC 20006 • tel: 202.628.9262 • fax: 202.628.0391 • www.ttd.org
Edward Wytkind, President • Michael A. Ingrao, Secretary-Treasurer



under this proposal so that it can exercise actual control over the carrier. If the U.S. owner revokes the authority granted to a foreign interest, the U.S. carrier will be forced to return the capital invested by the foreign interest – funds that a U.S. carrier will be hard-pressed to produce.

We fail to see how this so-called solution or other changes offered in the supplemental notice address the core deficiencies inherent in the proposed rule. The NPRM would directly threaten the jobs and rights of aviation workers as companies are given yet another tool to seek out and utilize the lowest cost labor available. Desirable pilot positions could be lost to foreign airlines, flight attendant jobs outsourced and carriers have already demonstrated an aggressive interest in shipping as much maintenance work and jobs as possible to foreign contractors. Aviation workers have suffered enough economic pain in recent years including lost jobs, wages and pensions. Congress should reject a proposal that would deliver yet another economic blow to an already ravaged aviation industry workforce.

We understand that the NPRM is being offered in an attempt to secure a new air services agreement with the European Union (EU). While we support efforts to expand international opportunities that truly benefits U.S. aviation interests, making changes to our foreign control rules would do more harm than good. It is disappointing that in the Administration's zeal to placate the EU, it has offered a proposal that so clearly runs afoul of existing law and jeopardizes our national and economic security.

Members of Congress on both sides of the aisle have correctly moved to block this NPRM until the full consequences of the proposal could be reviewed and fully evaluated. Free-standing legislation (H.R. 4542) introduced by Mr. Oberstar and Mr. LoBiondo that would delay the rule for one year now has 195 cosponsors including a majority of the Transportation and Infrastructure Committee. And report language was included in the House-passed Supplemental Appropriations bill seeking to delay the rule for 120 days and expressing the Committee's "serious concern" over the NPRM. Unfortunately, it now appears that the Administration may ignore these bipartisan congressional concerns and seek to finalize the rule without seeking the proper authority from Congress.

The security and economic issues implicated in this rule are simply too important to ignore. Reps. Oberstar, LoBiondo and Poe have crafted a sensible amendment that will prevent the DOT from implementing a change in foreign control rules and give Congress an opportunity to fully participate in this debate. We urge you to vote in favor of this amendment.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward Wytkind", written over a large, loopy scribble.

Edward Wytkind
President