

Seeking Stability After a Turbulent Decade: The Desire for a National Airline Policy

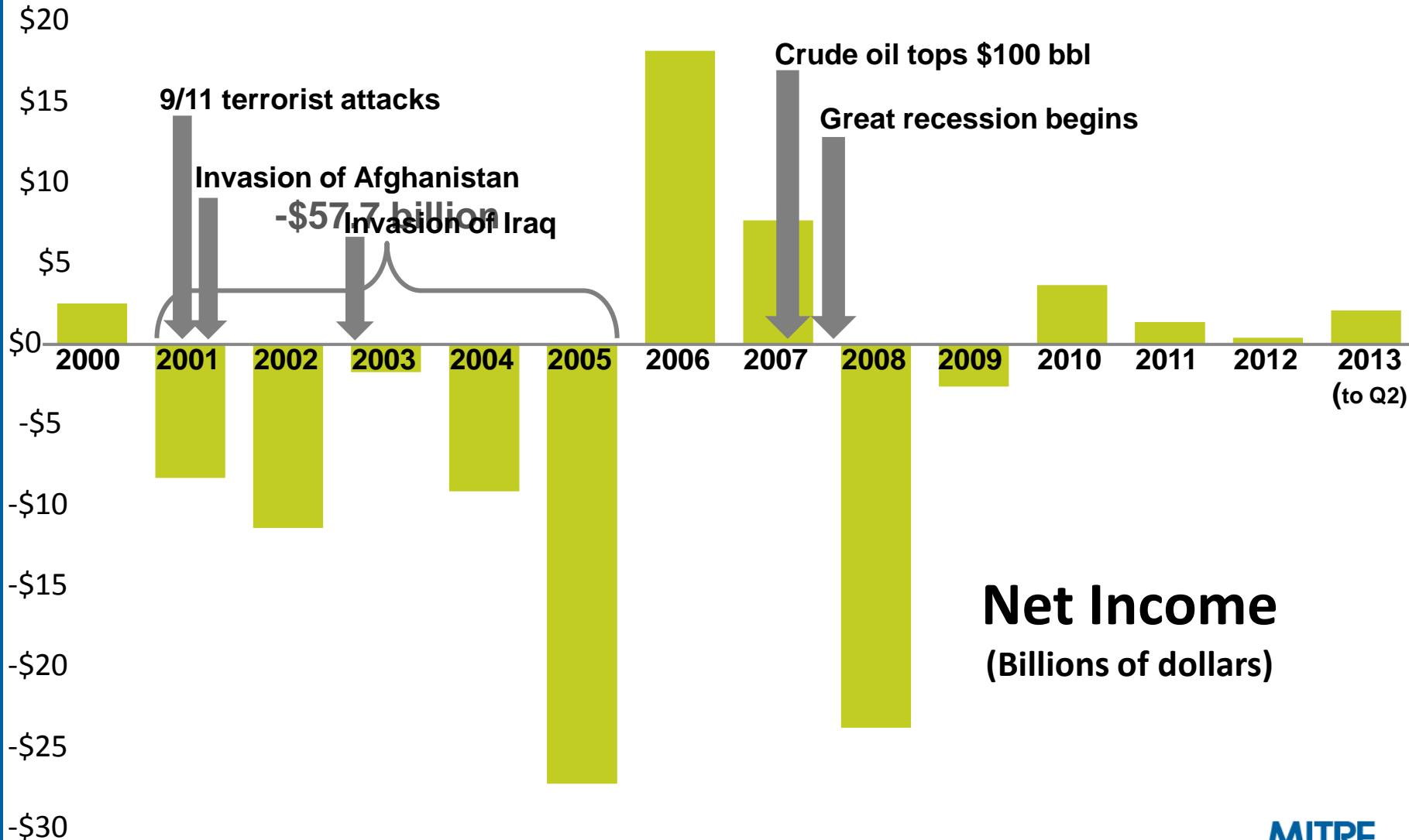
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Presented to the TRB Executive Policy Board

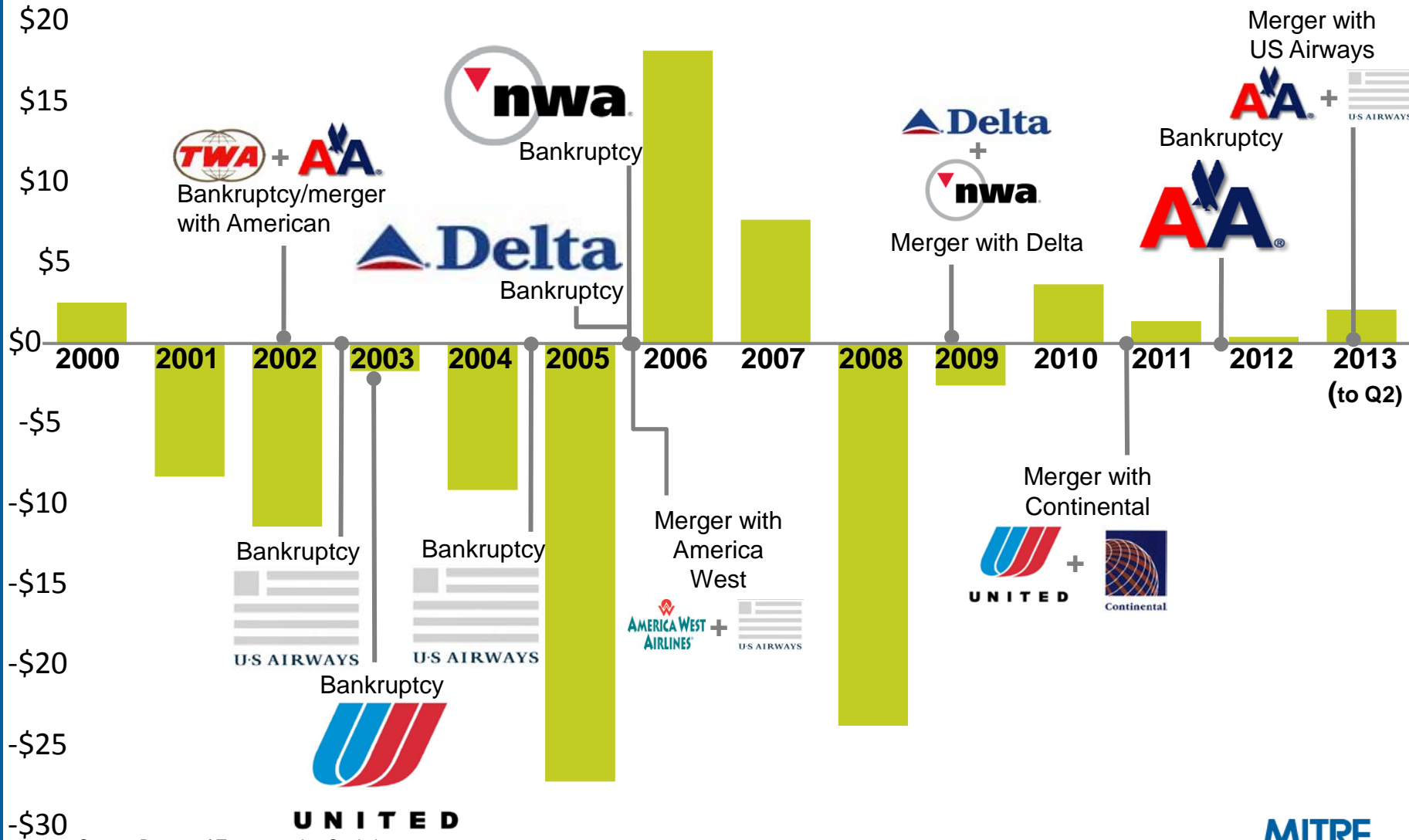
January 15, 2013

Industry losses from 2001-2005 totaled almost \$58 billion



Source: Bureau of Transportation Statistics

Since 2000, every major airline except one has undergone merger, or bankruptcy...



Source: Bureau of Transportation Statistics

...and a very different industry has emerged

Major airlines
by 2014



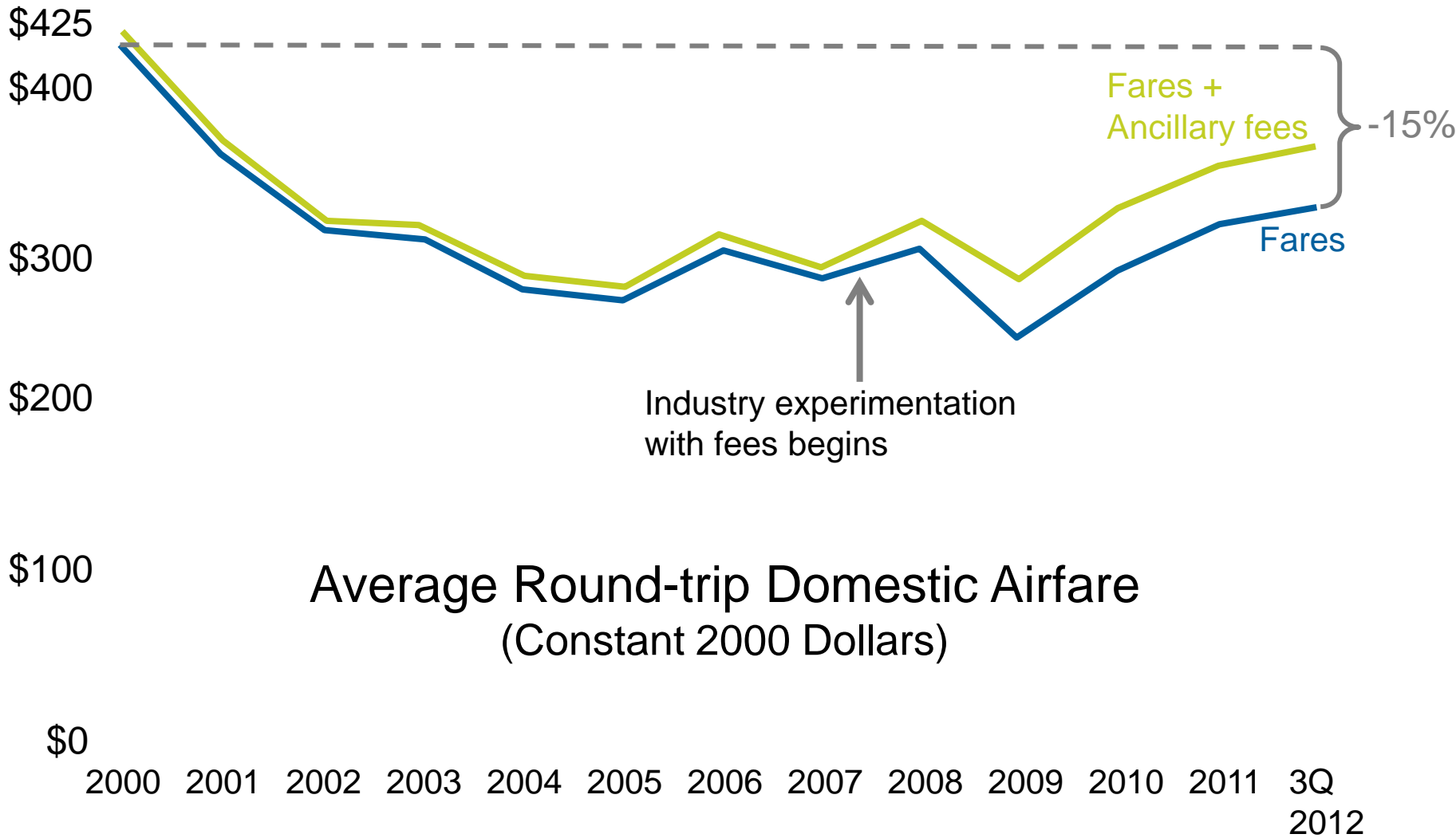
Niche



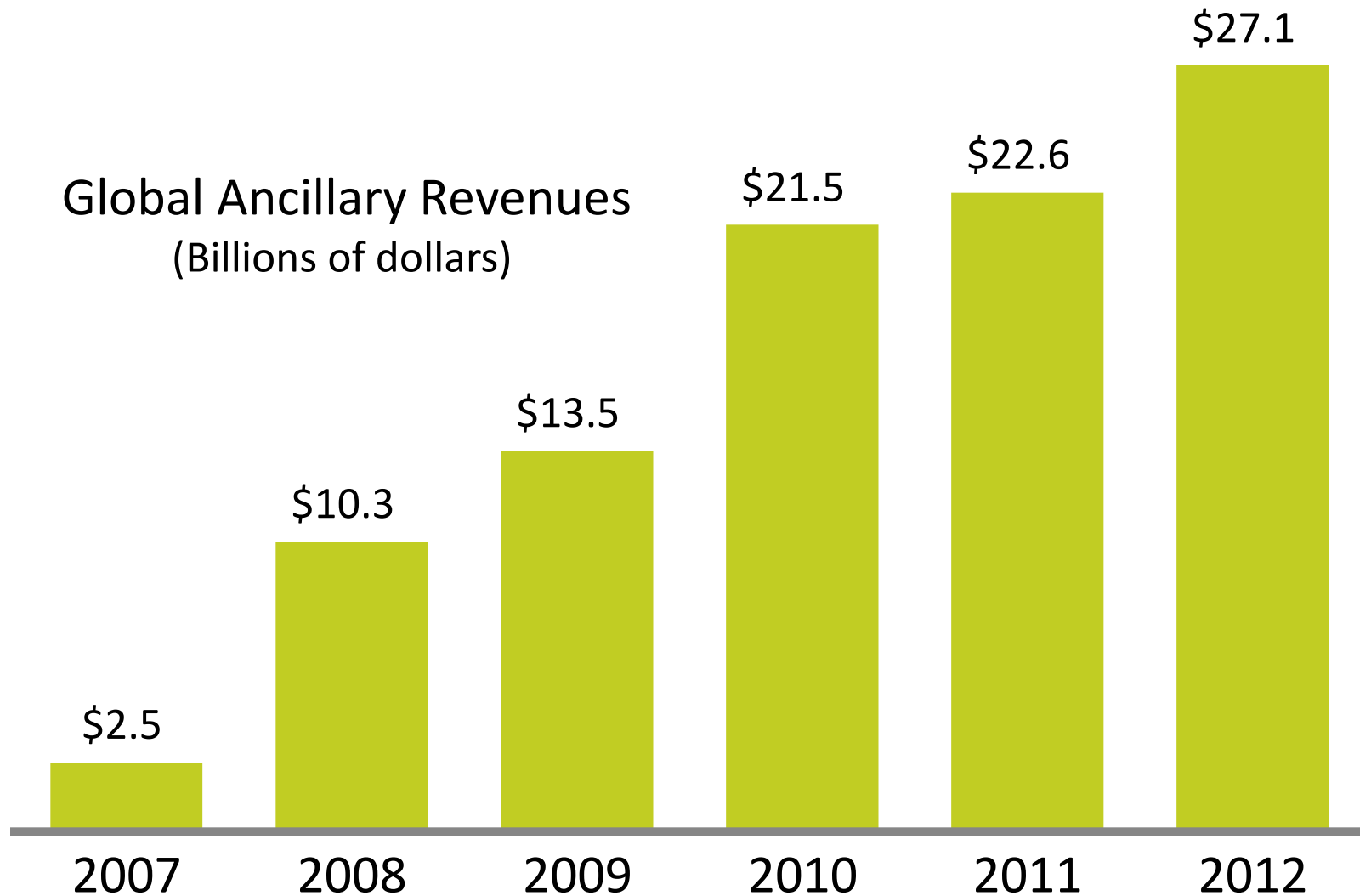
Ultra Low Cost



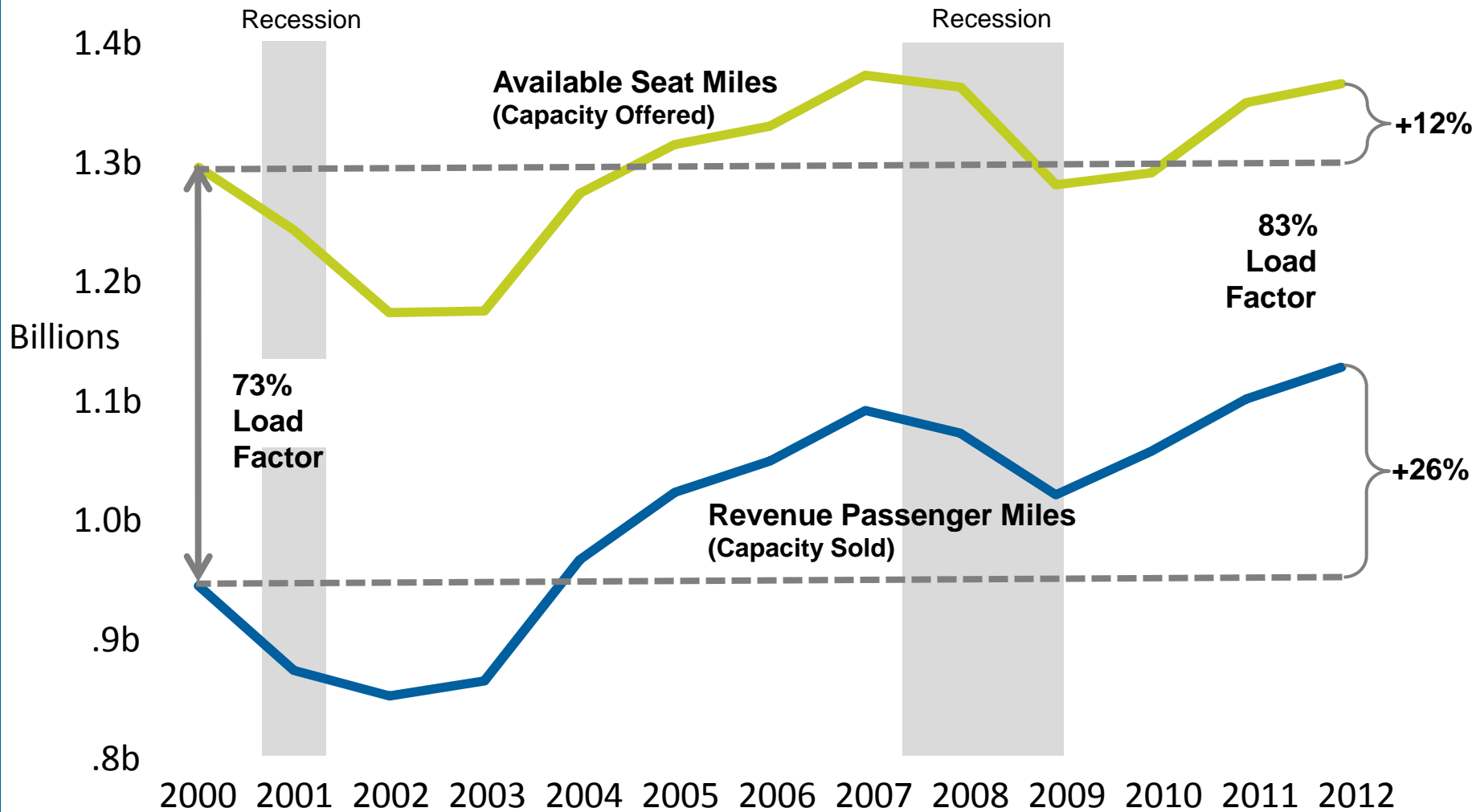
One that adapted to an inability to raise real fare levels...



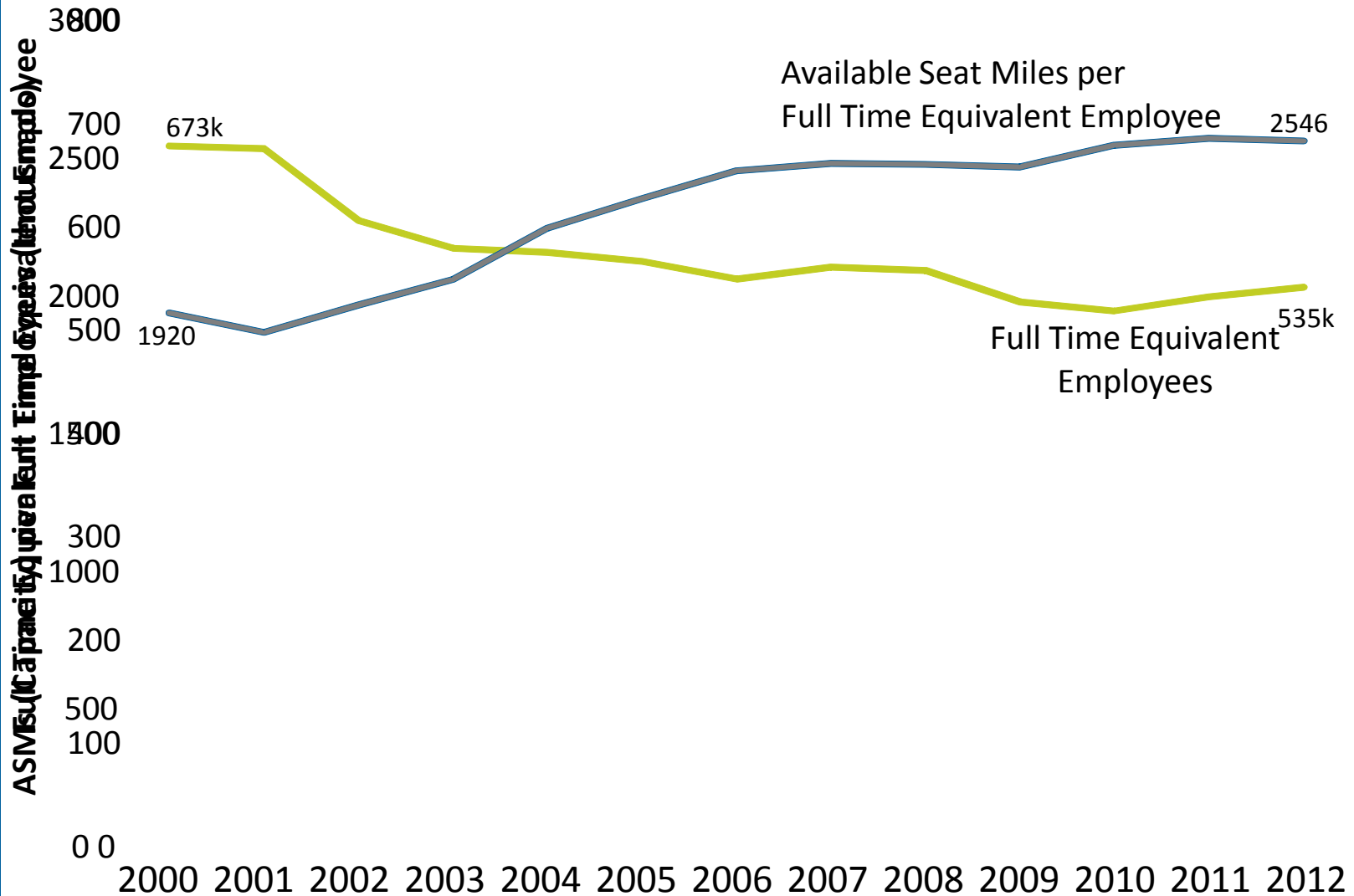
...by unbundling its product...



...while exercising capacity control...

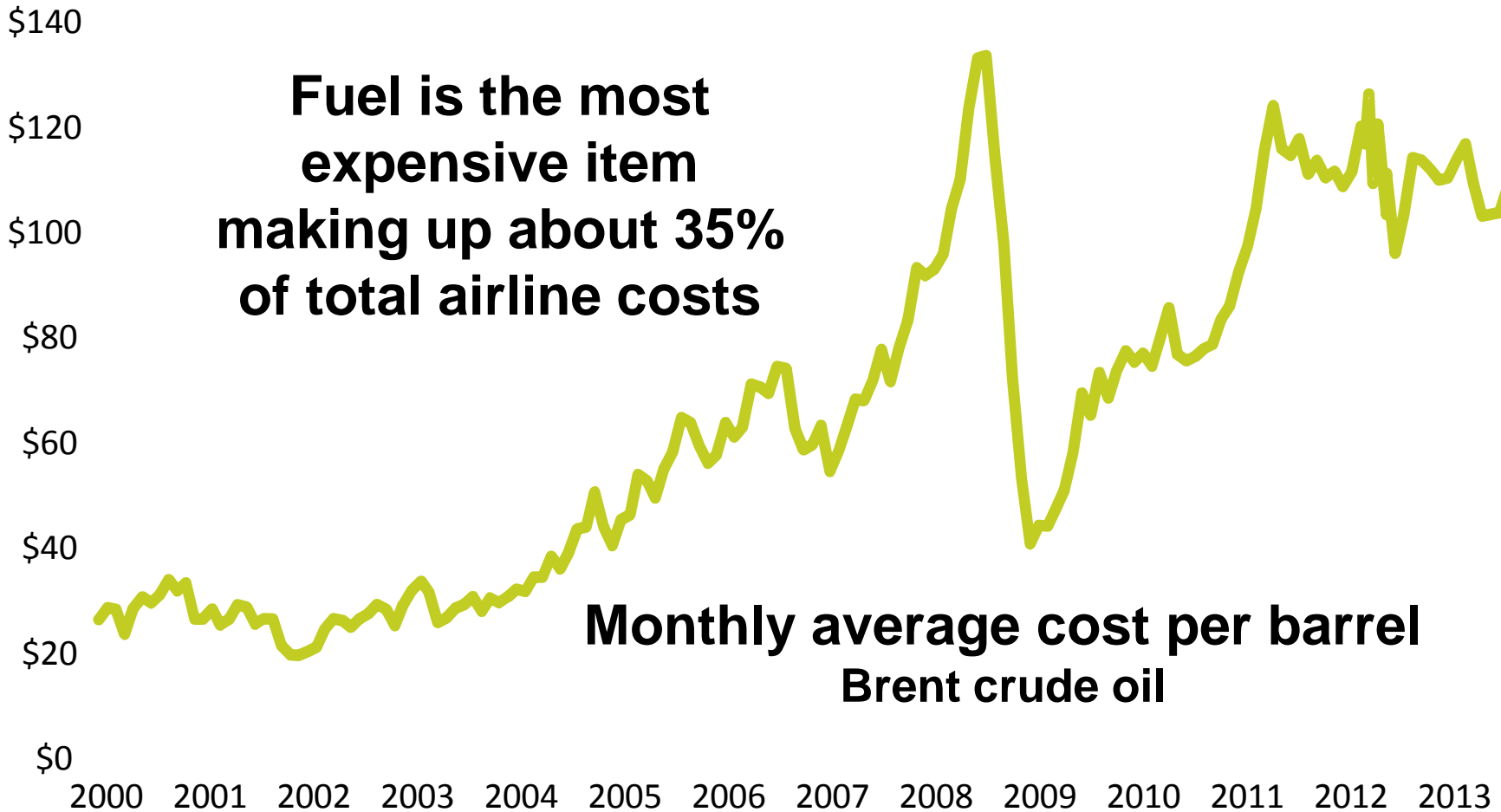


...and improving labor productivity...

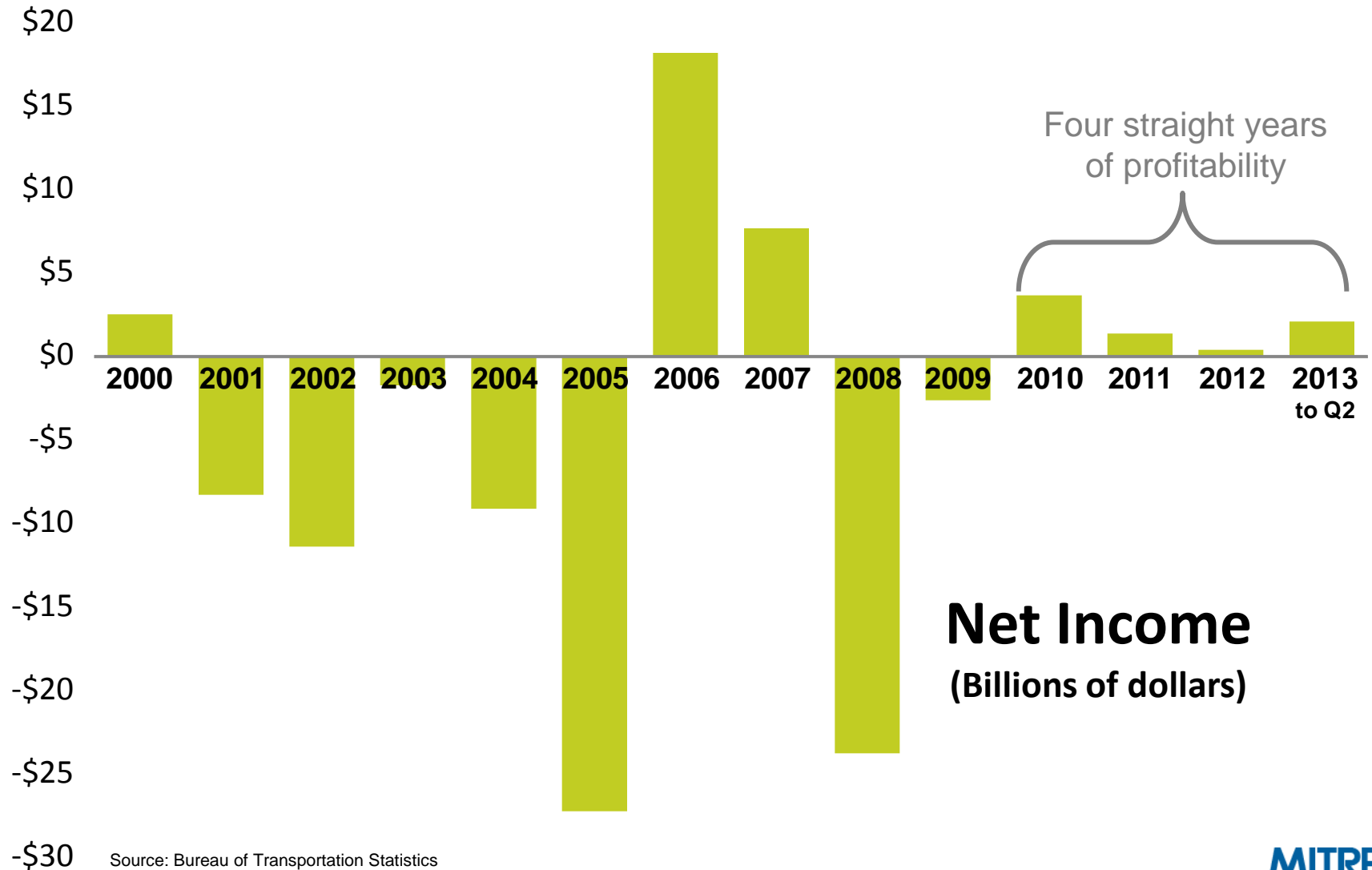


Source: Bureau of Transportation Statistics online

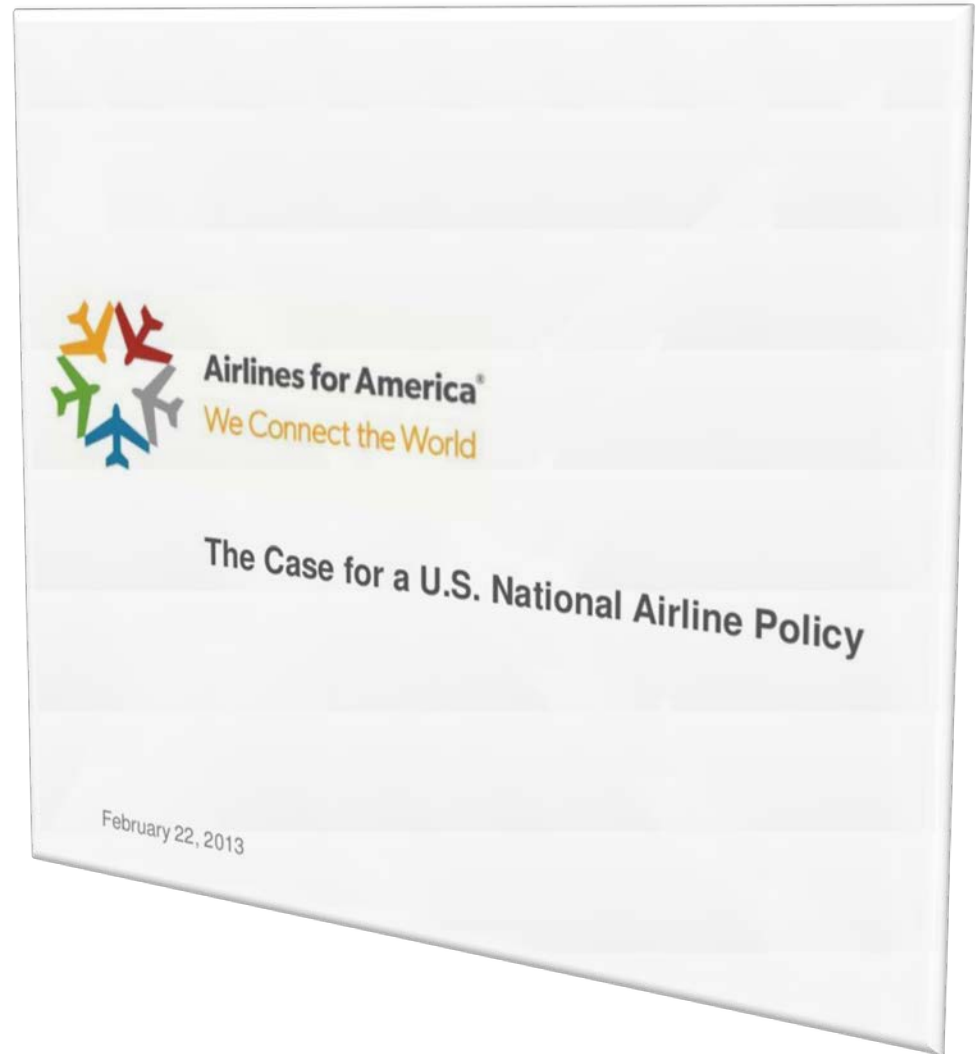
...while dealing with massive jet fuel price increases...

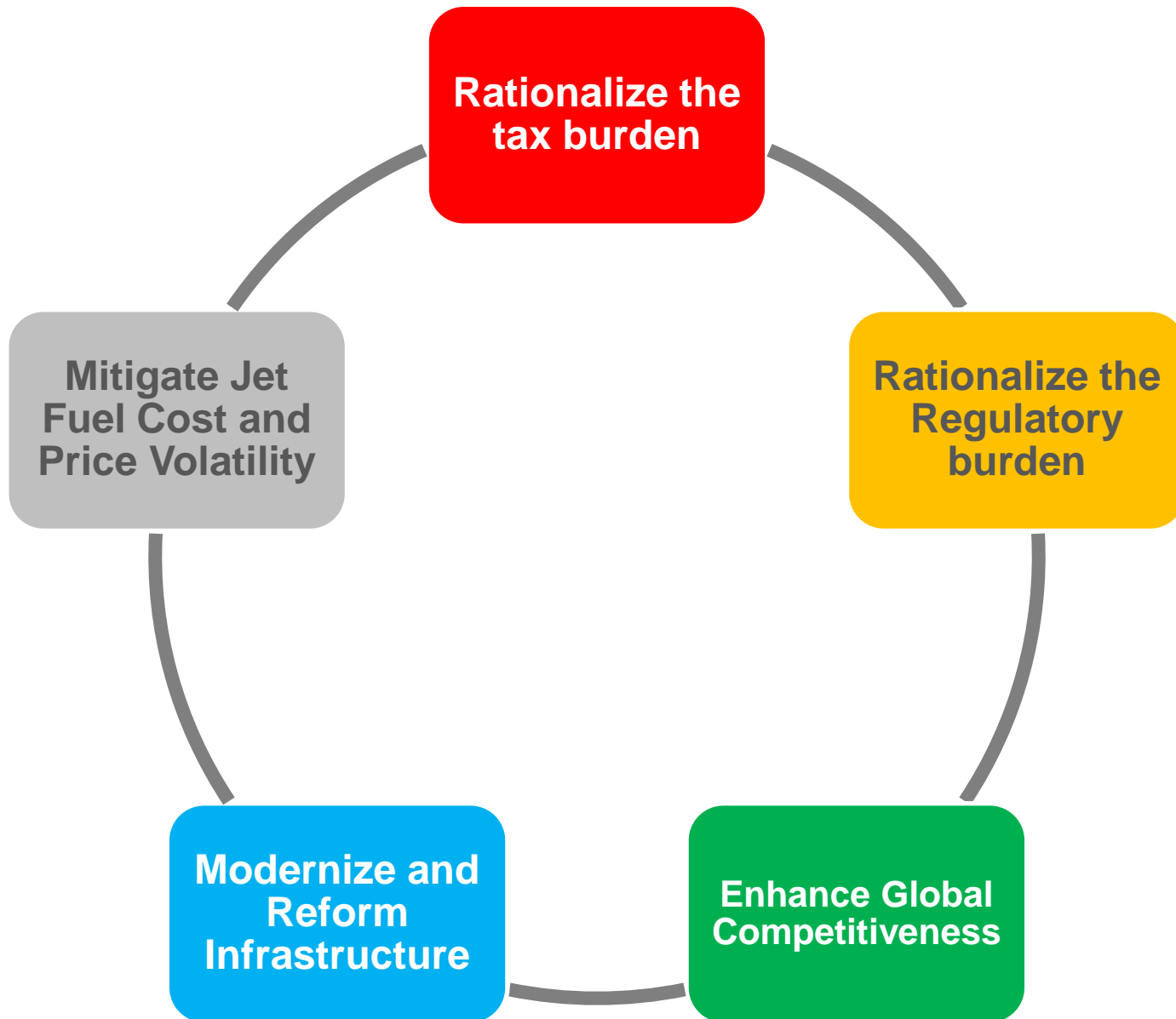


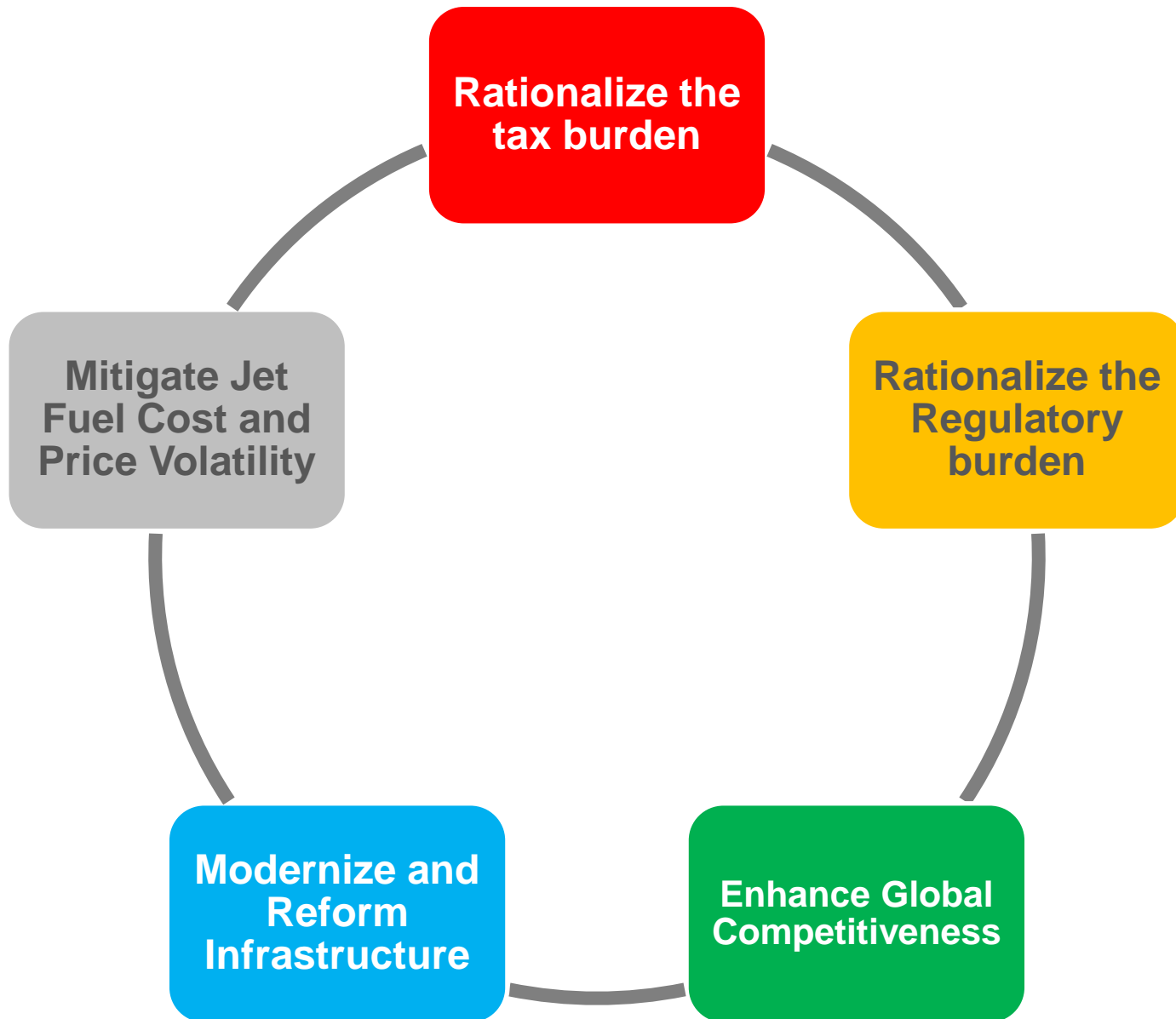
...and is poised for its fifth straight year of profitability.



And one that is asking for a National Airline Policy







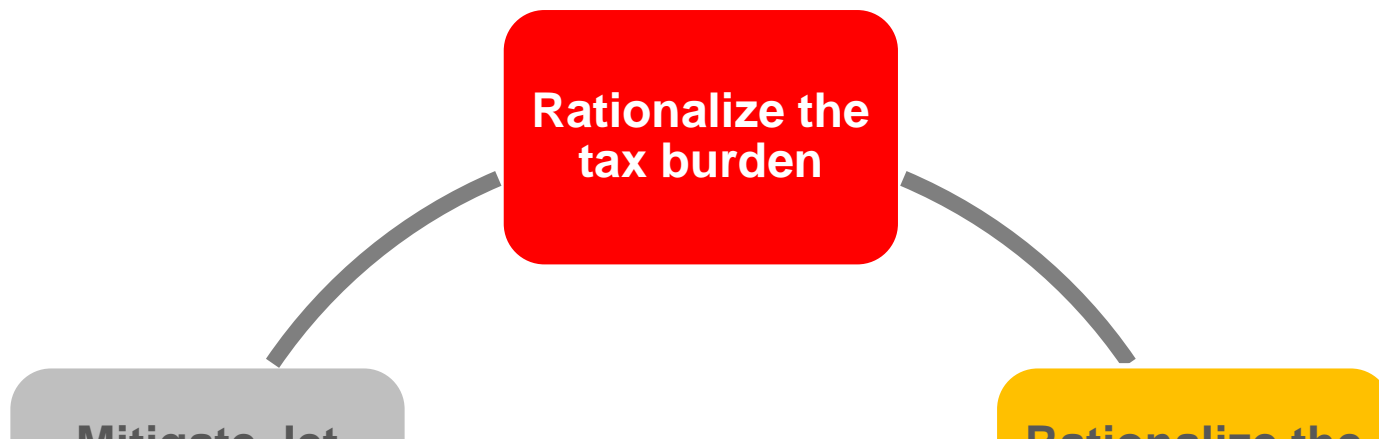
Issue: Too many taxes, tax rate too high

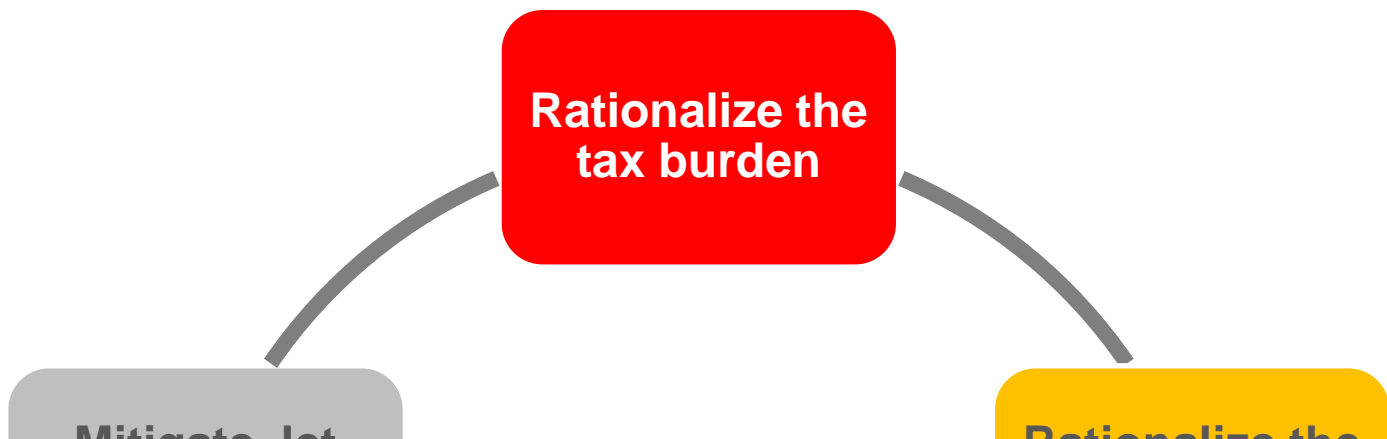
- Repeal the commercial jet fuel tax
- Prevent an increase to Passenger Facility & Security Fees
- Prevent any new taxes or fees from being levied



Policy Implications

- Who should pay for ATC costs?
- How much should ATC services cost?
- If aviation pays, how should costs be distributed among users?





Issue: Regulations impose unnecessary burden

- Ensure that rules are solely based on sound science and cost/benefit analysis
- Eliminate/modify regulations that drive excessive costs or inefficiencies



Policy Implications

- How to define sound science and excessive costs in a rule-making process?
- How to handle regulations that require some sort of judgment?
- Should all regulations be beneficial or cost-neutral to industry?

**Rationalize the
Regulatory
burden**

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**Rationalize the
Regulatory
burden**

Enhance Global Competitiveness

Issue: Foreign airlines are unfairly advantaged, damaging U.S. global competitiveness

- Foster industry consolidation and expand global alliance immunity
- Stop EU cap and trade and start global sectoral approach to aircraft emissions
- Reduce wait times for Customs entry, reduce visa processing times, add processing locations

Policy Implications

- How do we balance domestic vs. international competition?
- Should we pursue incremental regional emissions agreements industry by industry or should we pursue comprehensive global agreements?
- Are visas too difficult to obtain? How long should it take to get one?
- How long should the wait be at Customs and how much of a deterrent is it to visitation of the U.S.?
- Should Customs and Border Patrol priorities be changed to emphasize wait times? Who should pay for that?

**Enhance Global
Competitiveness**

Issue: Modernize elements of ATC infrastructure that benefit industry

- Accelerate the implementation of airline cost-beneficial elements (time, fuel savings)
- Accelerate (airline) economically viable efforts to reduce aviation emissions
- Prevent equipment mandates unless government can make a business case for investment

Modernize and Reform Infrastructure

Policy Implications

- Should cost benefit analysis be performed on the basis of social or airline industry welfare?

**Modernize and Reform
Infrastructure**

Issue: Stabilize oil prices and prevent volatility

- Curb excessive speculation and manipulation in the oil marketplace
- Government investment in alternative fuels, infrastructure and advanced aircraft technologies



Policy Implications

- Is there excessive speculation or price manipulation in the oil marketplace?
- Should the government invest taxpayer dollars in infrastructure for alternative fuels and advanced aircraft technology research?

**Mitigate Jet
Fuel Cost and
Price Volatility**

**Rationalize
tax burden**

**Rationalize
tax burden**

**Mitigate Jet
Fuel Cost and
Price Volatility**

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