



AIR LINE PILOTS ASSOCIATION INTERNATIONAL

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The Honorable Tim Johnson
Chair
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Mike Crapo
Ranking Member
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

January 27, 2014

Dear Chairman Johnson and Ranking Member Crapo:

In advance of Tuesday's hearing, "Oversight and Reauthorization of the Export-Import Bank of the United States," I want to reiterate the concerns of 50,000 professional airline pilots represented by the Air Line Pilots Association, International (ALPA) and urge you to focus on the status of the mandates included in the current Bank authorization with respect to the financing of wide-body aircraft.

As you know, over the past decade the Export-Import Bank ("Bank") has provided financing to foreign airlines for the acquisition of hundreds of wide-body aircraft. In 2011 alone, nearly 40 percent of the Bank's authorizations went to foreign airlines and/or leasing companies, more than to all other named categories combined. This financing is provided at U.S. taxpayer-backed rates that are not available to U.S. airlines—effectively providing foreign airlines a subsidy—and many of these Bank-subsidized aircraft are then being used on routes that are, have been, and could be served by U.S. airlines. U.S. carriers have been forced to withdraw or not enter routes that might otherwise be economically viable because the foreign carriers are able to operate at a lower cost with the subsidized aircraft. This withdrawal of service results in the loss of American jobs, including the jobs of ALPA members.

A specific example of this harm to U.S. jobs is the Export-Import financing of aircraft provided to Air India. Delta Air Lines began nonstop service between New York and Mumbai in 2006, a route that Air India could not fly because it could not afford the wide-body aircraft necessary to fly the route without stopping to refuel. Between 2006 and 2009, however, the Bank provided Air India approximately \$3.3 billion in loan guarantees, which Air India used to purchase new wide-body aircraft at below-market

rates. Air India then used its subsidized airplanes to flood the U.S.–India market with extra capacity, forcing Delta out of the New York–Mumbai route in 2008, causing harm to both Delta and the pilots we represent who fly for Delta.

This harm to American jobs was recognized by a judge of the U.S. District Court for the District of Columbia who, in a July 18, 2012, decision, found that the Bank’s financing of a large number of wide-body aircraft for Air India would “almost surely” cause U.S. airlines to “lose business or to cut prices to preserve business.” Similarly, a *Washington Post* editorial stated, “Ex-Im surely creates jobs at Boeing, but whether it increases employment overall is another question . . . the United States needs to lead a redoubled global diplomatic effort to phase out these market-distorting practices.” Senior Export-Import Bank officials have also agreed.

Export-Import Bank Vice President of Transportation Robert Morin commented in support of a reduction of the Bank’s role in aircraft financing, stating “[c]learly it’s not healthy in the long term for export credit agencies to be doing so much.”

As you will recall, Congress directed the Bank to enter into discussions with its EU counterparts to cease funding for wide-body aircraft (P.L. 112-122). We hope you will ask the Bank for a full accounting of the Department of Treasury’s multilateral negotiations on this congressional mandate and provide strict oversight to ensure that it indeed acts to substantially reduce—with the ultimate goal of ending—financing for wide-body aircraft across the board.

Loans made by the Bank for the purchase of wide-body aircraft have led to job loss in the U.S. aviation industry. The present job impact analysis of the Bank disregards the downstream negative impact of its loans on aviation workers and our industry. Transparency continues to be an area where the Bank needs to improve. Congress has long required the Bank to “take into account any serious adverse effect of [any] loan or guarantee on the competitive position of United States industry . . . and employment in the United States.”

Congress reiterated this mandate in the 2012 authorization, requiring the Bank to begin to notify the public, prior to approving certain transactions, as to whether the export at issue “may be used to . . . provide services in competition with the . . . provision of services by a United States industry” and to publish “methodical guidelines to be used by the Bank in conducting economic impact analyses” taking into account “any relevant guidance by the Office of Management and Budget.” Despite clear direction from Congress, we believe the Bank is not conducting a meaningful assessment of the economic impact of aircraft financing on U.S. airlines and their employees. We urge you

to question the Bank on how it conducts economic impact studies for downstream industries and job losses and how it provides that information to interested parties in a meaningful, fully transparent way.

Since the most recent Bank authorization, three state-sponsored foreign airlines have placed orders for aircraft worth a record \$162 billion at the Dubai Airshow, the Department of Treasury has stated that a competing export credit agency offering to finance an aircraft purchase is not a sufficient reason for the Bank to offer financing, and the Bank has cited an offer by a competing export credit agency as the reason for about 90 percent of the aircraft loans it has made over the past year. This equates to the Bank mostly ignoring the congressional intent of the current authorization with respect to wide-body aircraft financing. We are pleased that your committee is providing early and appropriate oversight of the Bank with the reauthorization deadline looming later this year.

ALPA supports the mission of the Bank and we support U.S. manufacturers. Like manufacturers, we can compete in the global marketplace if we operate on a level playing field. However, the current practices of the Bank unfairly tilt the playing field to our competitors' advantage. We thank the committee in advance for what we hope is a rigorous and informative hearing that demands the Bank explain to Congress why it has failed to follow congressional intent. Thank you for holding this hearing and for your interest in U.S. airlines and their employees.

Sincerely,

A handwritten signature in black ink that reads "Donald Lee Moak". The signature is written in a cursive, flowing style.

Lee Moak
President