



AIR LINE PILOTS ASSOCIATION INTERNATIONAL

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November 12, 2014

Dear Senator,

As you consider end of the year appropriations legislation, I urge you to support the House-passed provision in the FY 2015 Transportation, Housing, and Urban Development (THUD) bill which simply requires the U.S. Department of Transportation (DOT) to follow the law and provisions in the U.S.-EU Open Skies agreement when considering any foreign air carrier permit application. Senators Klobuchar, Blunt, Schatz and Moran authored an identical amendment to the Senate bill which unfortunately has not yet been completed. However, more than 150 bipartisan Members of the House and Senate have raised questions and concerns about the foreign air carrier permit application filed at DOT by Norwegian Air International (NAI). Support of the House's position will ensure that NAI's air service operation be consistent with our laws and international commitments. The full enforcement and application of these laws and provisions help guarantee fair and open competition for U.S. and European airlines.

Simply put, the U.S. airline industry and the hundreds of thousands of U.S. jobs it supports are threatened by one European entity that is attempting to play by a different set of rules. If it is successful, more are sure to follow. Last December, a Norwegian airline set up a subsidiary in Ireland called NAI and applied for a foreign air carrier permit to fly to the United States as well as an exemption to operate flights in the interim while the permit application is being considered. Although NAI purports to be an Irish airline, it is owned and controlled by Norwegian citizens and a Norwegian parent company airline. NAI intends to operate as an Irish carrier, even though it does not plan to operate any flights to or from Ireland. Furthermore, NAI plans to hire much of its workforce under independent contracts through a recruitment firm based in Singapore. This convoluted new business venture is at odds with the public interest and with the provisions of the U.S.-EU Air Transport Agreement.

Article 17 *bis* of the U.S.-EU Agreement states that, "the opportunities created by the Agreement are not intended to undermine labour standards or the labour-related rights and principles contained in the Parties' respective laws." Norwegian already operates air service to the United States as Norwegian Air Shuttle (or Norwegian Long Haul). By creating a new subsidiary in Ireland, it plans to move its operations out of Norway specifically to take advantage of lower employment costs afforded to it by employing an offshoring labor scheme allowed in Ireland, but not in Norway. This "flag-of-convenience" model directly violates the Open Skies agreement and will undercut U.S. carriers' ability to remain viable in the market.

The U.S. maritime industry has seen the adverse effects of flag-of-convenience business practices where companies register merchant ships in a foreign state to avoid its own country's regulation, taxes, and labor costs. Liberia, the Marshall Islands, and Panama are among the most well-known flag-of-convenience countries where U.S.-owned merchant marine ships are registered to avoid U.S. taxes, regulations, and labor costs. Today roughly 80 percent of the world's maritime fleet is operating under a flag of convenience, and the number of jobs for seafarers in the U.S. maritime industry has plummeted from more than 100,000 in 1960 to 2,500 in 2012. Today, U.S. flag ships essentially carry only domestic traffic. As a result over 97 percent of our foreign trade is carried on foreign-flag vessels. And, over the last 35 years the number of U.S.-flagged vessels sailing in international trade has dropped from 850 to fewer than 100. We cannot allow this model to destroy the U.S. aviation industry and the jobs it supports.

In early September, DOT rightly dismissed NAI's request for an exemption to temporarily operate flights to the U.S. while its application for a foreign air carrier permit is under consideration. While we believe DOT's decision to deny the exemption is extremely significant, the DOT's work is not yet complete in making certain that NAI is not permitted to exploit international aviation policy and law to gain an unfair economic advantage over U.S. airlines. The DOT must take the next step and deny NAI's application for a foreign air carrier permit to serve U.S. markets.

On behalf of the 50,000 airline pilots represented by the Air Line Pilots Association, International (ALPA), we appreciate this commitment to U.S. aviation workers and the future of our industry. Our partners, the major U.S. and European passenger airlines and unions, are unified in opposition to NAI's application.

We urge you to support the House of Representatives' position to ensure DOT acts according to U.S. law and international agreements. The precedent proposed by NAI threatens the U.S. airline industry and our jobs. We urge you to stand up for our industry and our careers.

Sincerely,

A handwritten signature in black ink, reading "Donald Lee Moak". The signature is written in a cursive, flowing style with a large initial "D".

Lee Moak, President