

rubber stamped

Economic Impact Studies at

Ex-Im Bank **MUST END**

By ALPA Staff

Among fundamental reforms that can't come quickly enough at the U.S. Export-Import Bank is requiring the agency to conduct economic impact studies that accurately evaluate the effect of its widebody airplane financing decisions on U.S. industry and U.S. jobs. With the bank's current authorization expiring on September 30, ALPA is capitalizing on the legislative process as an opportunity to make certain the bank carries out its economic studies in the comprehensive way Congress intended.

When asked whether he disagreed that the U.S. Export-Import Bank's financing deals give foreign airlines a significant advantage they wouldn't otherwise have, Fred Hochberg, its chairman and president, told a U.S. Senate committee, "I do disagree with that. I would also say that we do an economic impact study.... We do it for every export, including airlines."

While the Ex-Im Bank may perform economic impact studies, the exercise is of the bank's own design and execution. ALPA maintains that the pro forma process is simply a rubber stamp for the bank's financing proposals, rather than the rigorous economic evaluation required by law to make certain that the export credit agency's decisions balance the potential harm against potential benefits to U.S. industry or U.S. employment.

"Ever since Congress first began requiring the bank to conduct economic impact studies before it extended financing, the credit agency has either failed to do them or performed them with the predetermined outcome of generating a green light to proceed with a particular widebody aircraft loan or guarantee proposal," said Capt. Lee Moak, ALPA's president. ALPA has challenged in court how the bank develops its rules to determine whether a decision will affect U.S. airlines' competitiveness as well as its financing formulas and application process.

"Congress has clearly directed the bank to thoroughly evaluate whether U.S. industry and U.S. jobs would be adversely affected by the many millions of dollars in financing cost savings that the bank's guarantees and loans provide to foreign airlines and to which U.S. airlines can't obtain access," continued Moak.

The effect of the bank's economic study formula and process is very real for the U.S. airlines and airline industry workers. The sheer financial scale of the bank's lending, combined with the enormous numbers of widebody airplanes currently on order by U.S. airlines' foreign competitors, means that the accuracy of

its economic studies and their bearing on the bank's decisions resonate throughout the U.S. airline industry.

The bank approved \$7.9 billion in financing for U.S.-made airliners last year, according to its annual report. While U.S. airlines cannot have access to the Ex-Im Bank's low-cost financing, their state-owned competitors in countries such as the United Arab Emirates take full advantage of the economic windfall. For example, three UAE companies — Emirates Airline, Etihad Airways, and Dubai Aerospace Enterprise Ltd. — received more than \$900 billion in financing guarantees in 2013.

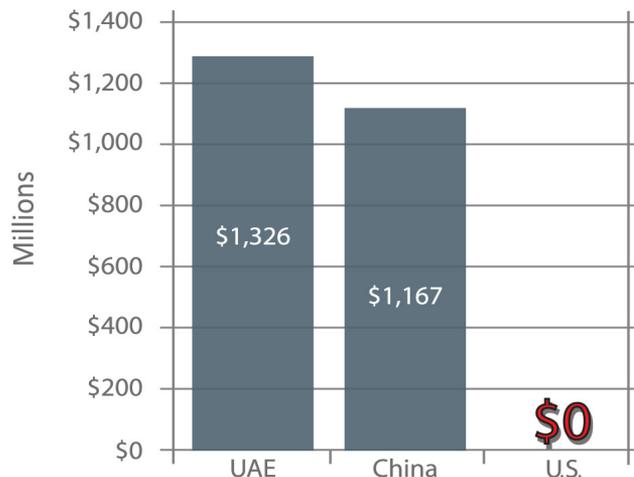
Given that the bank's low-cost guarantees and loans give foreign airlines a significant annual financing cost savings per widebody airplane, the record-breaking number of airplanes on order magnifies the severe competitive disadvantage that U.S. airlines face in the international marketplace.

While ALPA is pressing hard for swift changes to the bank's economic modeling, additional reforms are also needed. For example, the export credit agency has failed to fulfill its congressional mandate to obtain an agreement with foreign credit agencies eliminating all widebody airplane financing.

ALPA pilots are the vanguard of the airline industry movement for Ex-Im Bank reform, urging Congress to use the reauthorization process to make certain the export credit agency operates with maximum transparency, uses proper economic modeling, analyzes its loan applications' potential to harm U.S. industry and employees, and works to eliminate all credit agency financing for widebody airplanes.

"The 2014 Ex-Im Bank reauthorization creates an excellent opportunity for Congress to level the playing field for U.S. airlines and their workers so they have a fair opportunity to compete internationally," concluded Moak. 

U.S. EX-IM BANK SUBSIDIZES STATE-OWNED FOREIGN AIRLINES' WIDEBODY AIRCRAFT PURCHASES, BUT U.S. AIRLINES CAN'T OBTAIN SAME LOW-COST FINANCING



Total U.S. Export-Import Bank Commercial Aircraft Loan and Guarantee Authorization by Country (includes all aircraft types)