

Statement of
Captain Lee Moak, President
Air Line Pilots Association, International
Before the
Subcommittee on Terrorism, Nonproliferation & Trade
Foreign Affairs Committee
U.S. House of Representatives
Washington, DC
July 10, 2013

“The Abu Dhabi Pre-Clearance Facility: Implications for
U.S. Businesses and National Security”

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Mr. Chairman, Ranking Member Sherman and members of the Subcommittee, I am Captain Lee Moak, President of the Air Lines Pilots Association, International (ALPA). It is a pleasure and an honor for me to be here today to testify on behalf of more than 50,000 pilot members who fly for 33 airlines in the U.S. and Canada. ALPA is the largest pilots’ union in the world and we also operate the largest non-governmental aviation safety and security organization in the world.

We greatly appreciate this hearing and Congress’ interest in the subject of the Abu Dhabi preclearance facility for which the Department of Homeland Security has signed an agreement with the United Arab Emirates. ALPA and numerous other organizations, including Airlines for America, have strongly protested the Administration’s decision for reasons that I will explain. We believe that it is essential that the government not provide unfair and unjustifiable advantages—as this preclearance facility would do—to foreign airlines which directly compete with U.S. airlines.

Government Policy

Government policies and regulations can help make or break an industry, which is why ALPA is so focused on the potential harm that this facility can do to the U.S. airlines, and more broadly, the U.S. aviation industry and its employees.

Without strong, decisive action, current policy could mean the end of the U.S. airline industry’s envied leadership position in the world. Consider, for purposes of comparison, what has happened to the U.S. maritime industry over the past several decades. According to a report prepared for the U.S. Maritime Administration,¹ in 1975

¹ “An Evaluation of Maritime Policy in Meeting the Commercial and Security Needs of the United States,” Prepared by IHS Global Insight, Inc. for the US DOT Maritime Administration, January 7, 2009

the U.S.-flag fleet included 857 oceangoing ships with a capacity of 17.7 million deadweight tons. By December 2007, the oceangoing fleet had shrunk to only 89 ships operating in the U.S. foreign trades and 100 ships in domestic transport totaling 8.6 million deadweight tons, more than 50 percent loss of capacity. An important component of the shipping industry is ship building. In 1975, there were 166,900 people employed in the U.S. shipbuilding industry. By 2006, that number had dropped to 85,300. The report notes numerous factors in the sharp decline of the U.S. shipping industry, including excessive taxation and regulation, but the following quote from the executive summary captures the overarching cause:

The findings of this report lead to the overall conclusion that the current body of [government] policies is only supportive of domestic maritime trades. Policy is not supportive of U.S. participation in international trades. The U.S.-flag oceangoing fleet has been in decline relative to the fleets of other maritime nations. Building ships in the U.S. and operating U.S.-flag ships is more costly than building or operating ships in other nations.

It is our belief that the U.S. airline industry is in danger of the same type of drastic loss of capacity that the shipping industry has already experienced, and for the same basic reasons, unless this administration and Congress takes decisive action—like many of its foreign government counterparts have done for their aviation industries—to protect it from the effects of a tilted international playing field. Our airline industry competes very well in a head-to-head situation with its foreign competitors when those competitors are not underwritten financially by their governments and given advantages that our U.S. carriers do not receive from our government. But regardless of how well we can compete, our industry cannot keep pace or beat foreign airlines while carrying on its back a huge burden that most foreign competitors do not have – one of excessive government taxes, fees, regulations and now, U.S. taxpayer assistance to a foreign airline in the form of a CBP preclearance facility in Abu Dhabi.

Leveling the Airline Playing Field

ALPA has recently published a white paper entitled “Leveling the Playing Field for U.S. Airlines and their Employees,” which I am providing as an attachment to this statement; I would request that it be included as part of our testimony. This document explains that the U.S. airline industry and its employees operate in a hyper-competitive international marketplace. In large measure due to excessive regulations, taxes and fees, compounded by the effects of 9/11, the industry has lost \$48.1 billion since 2000 and it has made a profit in only five of the last 12 years. Even in the best of times, the U.S. airline industry has managed to eke out very small profit margins and has been unable

to meet its capital costs. Much of this is due to the lack of a U.S. government transportation policy that supports aviation. Our industry, which is owned and operated by publicly held corporations, competes with vertically integrated foreign airlines that are often state-owned or heavily state-sponsored and are given significant advantages in the form of non-existent taxation, and a very low regulatory burden. In addition, with virtually unlimited access to the U.S. market through Open Skies agreements that the U.S. has signed with more than 100 other nations, foreign airlines are stealing market share from our companies and threatening their very existence.

Around the world, the expansion of state-sponsored airlines, many from the Gulf region and Asia, threaten U.S. carriers on international routes. These carriers have the ability to buy new, American-manufactured airplanes with below-market financing rates subsidized by U.S. taxpayers, then use those same airplanes to compete against U.S. carriers on international routes, with significantly lower capital costs. As just one example of the threat posed by certain foreign carriers, Emirates, the wholly owned airline of the government of Dubai, began operations in 1985 with two aircraft. According to the airline, it has in the meantime grown into a “globally influential travel and tourism conglomerate” with hundreds of aircraft. It is shocking, but true, that the value of the aircraft currently on order by Emirates, \$84 billion, exceeds the market value of the entire U.S. airline industry.

The airline industry is the most heavily taxed of *all* industries in America with 17 unique federal taxes and fees which results in 20 percent or more of the total airline ticket price going to government coffers. The government’s tendency to emphasize consumer interests over the financial viability of the industry has resulted in a series of passenger protection regulations that place a significant financial burden on U.S. airlines, which exacerbate the cost disadvantages that U.S. carriers face in the international marketplace.

Our white paper identifies, and offers solutions to, numerous other “tilted playing field” issues including:

- foreign ownership and cabotage restrictions
- Open Skies agreements
- wide-body aviation financing by the Export-Import Bank for foreign airlines
- taxation policy
- fuel price stability
- new entrant and certificate transfer requirements for start-up airlines
- foreign tourist visa issuance
- NextGEN investments to improve safety and efficiencies

- international safety and security requirements

Most pertinently for the purposes of this hearing, the paper recommends enhancing the airline customer experience at airports. One way in which this is done is through Customs and Border Protection (CBP) preclearance facilities at 15 foreign locations in five countries (i.e., Aruba, Bermuda, the Bahamas, Canada, and Ireland) that allow U.S.-bound passengers to obtain advance approval from U.S. CBP to enter the United States from established locations in airports outside the country. The facilities at these locations help the U.S. airlines that operate into and out of these locations by allowing passengers to be authorized admittance to the U.S. before leaving the foreign country, thereby eliminating the need to go through a lengthy customs process at their U.S. destination. The current 15 sites are strategically located at airports where U.S. carriers provide a considerable amount (e.g., Dublin and Montreal) or all (e.g., Bermuda) of the air service. This stands in stark contrast to the Abu Dhabi airport, which has no U.S. airline service to the U.S. whatsoever. While advocates of the Abu Dhabi facility have stated that U.S. airlines began serving some of these 15 sites after the establishment of their respective preclearance facilities, this is not true. At least one or more U.S. airlines served each of the 15 locations prior to the establishment of the preclearance facility.

The Abu Dhabi Preclearance Facility

As this Subcommittee knows very well, in April of this year, the U.S. signed an agreement to establish a CBP preclearance facility at Abu Dhabi International Airport in direct contradiction of Congress' opposition as set forth in the Consolidated and Further Continuing Appropriations Act of 2013 (P.L. 113-6, Section 560(f)). ALPA and numerous other industry stakeholders including the Chamber of Commerce, Airlines for America, Regional Airline Association, AFL-CIO's Transportation Trades Department (TTD), Global Business Travelers Alliance, Consumer Travelers Alliance, Airports Council International-North America, and the Association of European Airlines have expressed adamant opposition to the establishment of this facility. ALPA's reasons for opposing it include the following:

- As stated previously, no U.S. carrier currently flies between Abu Dhabi and the United States. The only carrier with such service is Etihad Airways, the state-owned national airline of the UAE. Therefore, a preclearance site in Abu Dhabi would benefit only Etihad, which is already benefitting from numerous advantages over U.S. airlines, such as freedom from local taxes, the absence of transparency requirements with respect to corporate finances, and the ability to purchase wide-body aircraft from Boeing and Airbus at reduced rates through export credit agencies.

- Passengers from Asia or Europe, in order to avoid long wait times in customs and immigration lines, could opt to fly Etihad and connect through Abu Dhabi instead of booking on U.S. airlines. As passengers book away from U.S. carriers, reduced demand could force those airlines to reduce or eliminate service.
- Establishment of a preclearance site at Abu Dhabi would facilitate travel on foreign operators with direct access to international airports here in the U.S., as well as indirect access to historically domestic markets in the U.S. For example, a passenger traveling to Reagan Washington National airport from the UAE could clear U.S. customs in Abu Dhabi before departure, fly on Etihad to the U.S., then quickly connect to a flight to DCA. This situation presents a very clear and distinct marketing advantage for Etihad.
- The preclearance site in the UAE is a significant departure from the current paradigm and would put U.S. air carriers and U.S. airline worker jobs at risk by exclusively advantaging a foreign airline competitor. In ALPA's view, CBP facilities and funding should be used to benefit U.S. travelers, airlines and their employees, not foreign countries and their state-owned airlines. To the best of our knowledge, there has been no determination by the government as to whether or how the U.S. airlines will benefit from this facility, nor of how many passengers will ultimately reduce their wait times by flying from Abu Dhabi on Etihad instead of from European airports (e.g., London Heathrow or Frankfurt) on U.S. carriers to the U.S. We encourage DHS to address these questions.
- Long customs lines at airports are hurting U.S. airlines and the travel industry *today*. According to a recently published article: "The situation has grown so out of control that recently, in Miami, authorities were forced to place dozens of cots in a large room at the airport so that arriving international passengers who missed their connecting flights could get a night's sleep before boarding later flights the next morning. At the same airport, officials were forced to erect refreshment stands in the immigration areas so that people could get a cup of coffee or a doughnut to tide them over while waiting for hours to be cleared by customs and immigration officials." Congress should help ensure that CBP focuses its resources on providing the staffing that is needed to create a more favorable passenger experience at our nation's international airports.
- The U.S. government should not pick winners and losers and provide financial assistance to a country that does not need it. CBP estimates that roughly 15% of the cost of the Abu Dhabi preclearance facility would be funded by U.S. taxpayers and the rest of the costs would be borne by the UAE government. It was recently noted in a national newspaper that the facility would "support Etihad's expansion as an international carrier and boost Abu Dhabi, the largest and richest of seven emirates in the U.A.E., as a global aviation hub."

- DHS claims that the preclearance program is “invaluable to DHS with its ability to identify terrorists, criminals and other national security threats.” While there may well be some security value to the preclearance program, it is certainly possible to improve our security without giving an unfair operating advantage and U.S. taxpayer-funding to a rich foreign government and its wholly owned airline. The DHS could, for example, lend its risk-based security expertise to UAE to enable that country to perform greater security scrutiny of U.S.-bound passengers within the framework of that country’s own passenger screening measures, not customs and immigration.
- The Abu Dhabi preclearance facility represents a waste of U.S. resources. There are currently three planned daily flights from Abu Dhabi to the U.S. carrying approximately 900 passengers and crewmembers in total. Based on one CBP officer clearing 45 passengers per hour, five officers can clear 900 passengers in four hours, which wastes four available hours of an eight-hour shift. With these same resources, 1,800 passengers could be cleared in a U.S. port of entry in the same eight-hour shift.

For these reasons, ALPA greatly appreciates the House of Representatives’ moves to prohibit funding for the Abu Dhabi facility. ALPA strongly supported the Meehan Amendment to the House Homeland Security Appropriations bill, which passed by voice vote, that would prohibit funding for a U.S. Customs and Border Protection (CBP) preclearance facility at the Abu Dhabi International Airport in the United Arab Emirates (UAE).

Recommendations

1. DHS should abandon any plans to open a preclearance facility in the UAE, or any country where U.S. carriers do not do at least a majority of the flying.
2. Congress should pass strong legislation that will prevent DHS from using U.S. taxpayer money to provide a benefit to non-U.S. airlines and thereby hurt U.S. airlines and their employees. It should also prohibit DHS from accepting independent funding of preclearance facilities from any third parties, including cities, countries, and carriers.
3. The U.S. should prioritize adequate resources to fully and appropriately staff domestic customs and immigration operations to reduce passenger wait times at all international airports to a reasonable maximum (e.g., 30 minutes). DHS

should improve its services and staffing at U.S. airports instead of spreading its resources to foreign countries not served by a U.S. airline.

4. The U.S. should adopt a formal transportation policy that supports our U.S. aviation industry and places it in a position to compete with every foreign airline in the world. The formation of that formal policy needs to start with a complete review and reform of the tax and fee structure as applied to U.S. airlines.

Conclusion

The United States' airline industry's extreme financial volatility, numerous bankruptcies and airline shutdowns, extensive employee pay concessions, pension terminations, job losses, and eroding infrastructure require that immediate and aggressive action be taken to change course and establish a roadmap for future industry and employee success. Given the strong competitive cost advantages of many foreign carriers, it is important that the U.S. government promote a business environment at home that allows a fair opportunity for U.S. carriers to compete and prevail in the international marketplace. U.S. airlines and their employees can win in the international arena. But to do so, they need to compete on a level playing field. Our aforementioned white paper on this subject offers a roadmap for getting there.

Thank you, again, for the opportunity to testify today. I will be happy to respond to any questions that you may have.

Attachment