

Committee on Transportation and Infrastructure
Aviation Subcommittee

“The Impact of Hurricane Katrina on the Aviation Industry”

September 14, 2005

Statement of Edward P. Faberman, Executive Director



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**Statement of Edward P. Faberman
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**Before the Committee on Commerce, Science and Transportation
Subcommittee on Aviation
United States Senate**

**“The Impact of Hurricane Katrina on the Aviation Industry”
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Mr. Chairman and Members of the Subcommittee, on behalf of the members of the Air Carrier Association of America (“ACAA”) and the communities we serve, I submit this statement in support of communities across the country, and particularly those damaged by Hurricane Katrina, regarding critical issues before this Committee.

The ACAA supports the statements made before you by Deborah McElroy, President of the Regional Airline Association, and James May, President and CEO of the Air Transport Association, relating to the importance of fuel tax relief. As my colleagues have effectively addressed the background events leading to the issues raised in the hearing, I will not belabor the record further in this regard.

The airline industry wants to continue to play a major role in helping to rebuild the areas impacted by Hurricane Katrina. In order to stimulate the economy and create jobs throughout the country, including in areas impacted by the hurricane, it is essential that the U.S. airline industry initiate and expand service. Government studies clearly indicate that as low-fare carriers re-enter markets and start service to new cities, those cities and states receive significant economic benefits. According to the FAA 2005-2016 forecast for the aviation industry, “[t]he benefits to the American consumer brought about by low-cost, low-fare airlines have been substantial and are well documented. . . . The expansion of these low-cost, low-fare carriers will help to ensure that competitive forces remain strong in the industry.”¹ As Secretary Mineta stated at the FAA Commercial Aviation Forecast Conference in Washington, DC, on March 17, 2004, “[while] demand is still off, demand for low-fare service is strong and growing stronger. . . . Consumers are driving these changes – and that, ultimately, is a very healthy development. . . . We are forecasting that more passengers will fly [in 2004] than did the previous peak year of 2002.”

The ACAA is dedicated to working with the leadership and members of the Senate Commerce Committee to identify actions that can be taken to help carriers maintain and expand service to communities in the affected region and across the country. We believe this hearing today is an important first step in that effort.

¹ FAA Forecasts for Fiscal Year 2005-20016 (p. III-15 & 16)

While members of the ACAA have already demonstrated their dedication to addressing the devastating consequences of Katrina through contributions of flights to displaced residents and delivery of food and supplies for victims², it is an understatement to say that our work has only just begun.

Unfortunately, the continuing rise in carrier costs, particularly due to jet fuel costs, are making it more difficult for low-fare carriers to bring important full-size jet service to many communities, and in particular to small communities. Fuel costs were already devastatingly high for U.S. carriers before Hurricane Katrina impacted oil and gas operations in the Gulf Coast. This phenomenon is a particular problem for small markets that are often most in need of service to stimulate economic growth.

To help address these concerns, we applaud the Committee for considering certain tax relief proposals. The Committee can propose important steps to help the entire industry expand service options. Therefore, the ACAA supports the recommendations of Jim May and Debby McElroy that Congress should grant a one-year holiday from the 4.3 cents-per-gallon jet fuel tax and that additional efforts should be undertaken to expand oil production. We believe that the money conserved during this fuel tax reprieve will enable small and low-cost airlines to enter and expand service in markets throughout the country. The resulting increase in travelers taking advantage of the lower fares and expanded service will generate increased ticket fees.

The ACAA requests, along with our colleagues, that Congress provide a tax holiday on the 4.3 cents-per-gallon tax on jet fuel. We believe that this relief would provide the greatest benefit to the industry, communities, the traveling public, and the nation's economy. Therefore, it is essential that Congress provide relief to the industry as a whole, rather than focusing exclusively on initiatives having only a limited impact on the economic health of the industry. We congratulate the members of this Committee for their leadership on these issues.

On behalf of the ACAA, thank you for the opportunity to present our statement on these important issues.

² Spirit Airlines was one of the first carriers to provide airlift to aid victims when, on Friday, September 2nd, it brought the first flight to Louis Armstrong International Airport (MSY) in New Orleans. Working closely with government agencies, Spirit has flown thousands of residents to various Texas cities. AirTran Airways initiated humanitarian aid flights on Friday, September 2nd, from Hartsfield-Jackson Atlanta International Airport to Gulfport/Biloxi Regional. AirTran delivered more than 40,000 pounds of water, food, clothing, medical supplies and other goods to support the Red Cross and the Salvation Army. AirTran also has operated other support flights including partnering with Peyton and Eli Manning to bring more than 15 tons of relief items into Mississippi. AirTran also operated Air Mobility Command flights from various military bases to MSY. Frontier Airlines operated aircraft to evacuate residents from the impacted region. Frontier also coordinated with Volunteers of America in Denver to seek out individuals and families at the Houston Astrodome who would relocate and bring them back to Denver. Additionally, the carrier donated frequent flyer miles to the American Red Cross.