

CAPTAIN WOERTH: Good afternoon. Before I begin my remarks, I'd like to thank Commissioner D'Amato for the opportunity to speak before you today on this important subject.

ALPA represents more than 50,000 pilots employed by 52 air carriers. They range from cargo charter operators, such as Ryan International, and regional carriers using smaller equipment, such as Allegheny, to behemoths like United and my own Northwest that provide worldwide cargo and passenger service with a full range of aircraft through global network alliances.

What I will address today is the question of whether bringing air transport services under the GATTs would be beneficial to the United States air transport industry and to the country's competitive trade position.

In our view, it would not be. At the present, international air transport services are governed by a series of bilateral agreements between the United States and its trading partners. These agreements have become increasingly liberal, i.e., they have permitted a greater range of operational and pricing flexibility over the years.

In fact, in the last several years, the U.S. has negotiated approximately 45 open skies agreements which provide for virtually unrestricted air

services between the United States and the countries involved.

This framework of bilateral agreements has allowed U.S. carriers, frequently through alliances with foreign airlines, to provide seamless air transportation services on almost a global basis.

Currently, air traffic rights and to a large extent related services are excluded from GATT's coverage. It is ALPA's view that they should continue to be excluded. The GATT is simply an unsuitable framework for air transport.

Full application of GATT's principles would require the U.S. to open up its air transport markets to other countries on a most favored nation basis. Because the United States has liberal agreements with several countries, we would have to provide full access to our international air transport markets, even to countries that may not have to reciprocate.

Also, the United States would have to give foreign carriers access to our domestic market even though our market dwarfs any other domestic market, and in fact, is as essentially as large as all other domestic aviation markets combined.

In our view, a change in this area could have significant adverse consequences for the balance of trade.

One question on international air transportation that ALPA hears frequently is: why should air transport be treated differently than any other business?

First, airlines have historically been integral parts of the national security infrastructure.

Second, they have been equally integral to the national economies, often providing services that might not otherwise be offered.

It is for these two reasons that almost every country regulates the ownership and control of its airlines. While somewhat diminished, these reasons still retain considerable force.

In the United States, it was less than a decade ago that we saw civilian commercial aircraft provide a significant portion of the lift and transport of the United States operations in a major military campaign.

Abroad, government ownership of airlines remains pervasive. Dozens of the world's major carriers, in fact, the large majority of major carriers outside the United States, remain government controlled, and efforts to privatize often move haltingly.

Just recently Iberia announced that its privatization may be postponed indefinitely because of

market uncertainties, and Belgium announced that it would retain a blocking interest in Sabina, "to protect the national interest." With respect to Lufthansa's recent proposal to acquire British Midlands, British Airways' Chief Executive Bob Ayling compared Lufthansa's challenge to British Airways to the battle for the control of the skies between the RAF and the Luftwaffe and pointedly asked whether the U.K. wanted, quote, national champions or not.

In this regard, foreign government involvement in the airline business causes concerns for labor. Pilots have seen their portion of Transatlantic flying done by European carriers increase steadily as alliances have developed, even though U.S. carriers have lower unit costs. This is not the result one would expect if market forces alone were determining the allocation of flying.

And, again, it is a result that would not be beneficial to our balance of trade.

This latter point leads us to a third area where air transportation is different from other industries. Aircraft are mobile workplaces that can move across international borders. Daimler can't pick up an assembly plant and move it, employees and all, to the United States, but Lufthansa can and does fly its airplanes here, crew and all, every day.

A fourth and perhaps the most important way air transportation is different is the one I alluded to earlier when discussing the existing bilateral agreement. There is already a separate governmental administration structure set up to deal with it. The professionals at departments of Transportation, State, and Commerce possess an in depth understanding of the complexities and the needs of industry and have been persistent and effective at addressing these needs under the current regulatory structure.

They have made great progress in achieving new opportunities for U.S. carriers and employees, and there's every reason to believe that they will continue to do so.

They have identified countries with common interests and have liberalized air transportation markets on a case-by-case basis, and they can assess, again, on a case-by-case basis, the potential economic consequences of an exchange of air transport rights on the U.S. balance of trade.

In conclusion, the current system is not perfect, but ALPA believes that abandoning it and substituting GATS would be a mistake.

I would be happy to respond to any questions you may have.