



GET THE FACTS ON ALPA'S FIGHT FOR FAIR COMPETITION



Norwegian Air International: Unfair Economic Advantages and Unanswered Safety Questions

The facts are clear about Norwegian Air International's (NAI) plan to use an exploitative business model that circumvents Norwegian employment and tax laws and competes with unfair economic advantages against U.S. airlines and their workers. The U.S. Department of Transportation (DOT) must deny NAI's application for a foreign air carrier permit and stand up for fair competition in the global marketplace.

U.S. airlines and their employees aren't afraid of fair competition.

The United States is the world leader in aviation. Our industry and its workers will compete against anyone in the world provided the business environment meets U.S. and international legal standards.

NAI's business model is not fair competition.

U.S. and legitimate EU airlines play by the rules—that's fair competition. NAI's business scheme to use offshore contract employees runs contrary to the intent of the U.S. - EU Open Skies agreement and is an affront to a fair marketplace.

NAI's flag-of-convenience model seeks to undercut U.S. airlines by obtaining an air operator certificate (AOC) from and registering airplanes in a country

to which it doesn't fly. NAI's business plan would then take advantage of that country's relaxed employment laws to employ outsourced foreign-domiciled workers at wage and benefit levels substantially lower than if it operated as a Norwegian airline headquartered in Norway. NAI's business model seeks to put U.S. airlines at an unfair economic disadvantage and undercuts fair competition, threatening U.S. airline industry workers' jobs.

NAI's business plan is at odds with the EU-U.S. Open Skies agreement (to which Norway is a signatory).

The EU-U.S. Open Skies agreement was designed to deter European airlines from shopping different countries in which to do business with the goal of obtaining lower labor costs. In fact, a specific provision (Article 17 *bis*) was

included expressly to prevent business models such as NAI's that seek to lower labor standards.

NAI may claim that it seeks to obtain its AOC and register its aircraft in Ireland to take advantage of the benefits of the EU-U.S. Open Skies agreement, but the fact is that Norway has been party to the U.S.-EU agreement since 2011. As a result, NAI would receive no additional air traffic rights to the United States by registering in Ireland than its sister airline already has while registered in Norway.

Significant safety questions are unanswered.

The fact is that we simply don't know how safety oversight and surveillance of NAI's flights would be conducted. While the Irish Aviation Authority has a stellar reputation for its commitment to safety, NAI's plan to establish the airline in a country to which it does not fly is uncharted territory because the International Civil Aviation Organization (ICAO)—the aviation arm of the United Nations and the international body responsible for setting minimum safety standards for international aviation—has not yet established minimum standards and procedures for oversight and surveillance of a business model such as NAI's.

“The concern about NAI lies in a country’s ability to provide safety oversight of long-haul transoceanic operations that are conducted without ever transiting ‘home’ soil,” said Ambassador Duane Woerth, former U.S. permanent representative to the Council of ICAO, in *Aviation Daily*, August 22, 2014.

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We’ve seen from history that the lack of standards for oversight of this business model poses a serious safety risk. In fact, a fatal airline accident has already occurred involving an airline operating under a similar scenario—and on Irish soil. The accident involved an airline that was registered in Spain but did not fly to or from Spain. The Irish Air Accident Investigation Unit explicitly identified “inadequate oversight of the remote operation by the Operator and the State of the Operator” as a contributing cause of the accident.

Consumers today already benefit from an extremely competitive economic environment for U.S. airlines.

The absence of an ICAO minimum standard for the oversight of a business model such as NAI’s means that no metric exists for the U.S. government to determine whether NAI’s operations are receiving adequate safety oversight. Until ICAO establishes a minimum standard for the oversight and surveillance of an airline operating such a business model, NAI should not be permitted to fly to the United States.

Congress is seriously concerned about and opposed to NAI.

More than 160 members of Congress spoke out with serious concerns about or in direct opposition to NAI’s application for a foreign air carrier permit. Most recently, Senator Amy Klobuchar (D-Minn.) and Senator Daniel Coats (R-Ind.) wrote to the Obama administration to express concern about NAI’s application. In the letter, the senators underscored that they had championed a Senate amendment that would require the DOT to ensure that any foreign air operators’ application under the U.S.-EU Air Transport Agreement follows its terms and U.S. law. The U.S. House included the same language in the FY2015 Transportation, Housing, and Urban Development Appropriations bill.

No flag-of-convenience business model is acceptable.

Whether it’s NAI’s model or a different concept, any flag-of-convenience model that attempts to hand a foreign airline an unfair economic advantage in competing against U.S. airlines is flatly unacceptable. For this reason, U.S. international aviation policy must make certain that any similar plan is not permitted to threaten fair competition.

Consumers already benefit from a competitive airline industry.

The U.S. airline industry is a highly capitalized and hypercompetitive industry in which every cent counts. Capacity has been increasing steadily, particularly from the Middle East to North America, where capacity is up 24% year over year, and from Europe to North America, where capacity is up 6.4%. The average U.S. domestic airfare, adjusted for inflation, has fallen 14.3% since 1995. Worldwide, airlines are expected to generate a net profit of only \$5.65 per passenger. Consumers today already benefit from an extremely competitive economic environment for U.S. airlines.

U.S. airlines contribute to the U.S. economy and provide U.S. jobs.

The U.S. aviation industry contributes \$1.3 trillion annually to the U.S. economy. U.S. passenger and cargo carriers employ more than 580,000 people worldwide and help support more than 11 million American jobs.

U.S. DOT must deny NAI.

Our international air transportation system demands that an airline operate safely, employing experienced pilots and crewmembers, and deliver services to consumers with the government providing robust surveillance and oversight to ensure safety. U.S. airlines and their employees have proven they can deliver a safe, quality product at a fair, market-based price. The U.S. Department of Transportation must stand up for a fair marketplace by denying NAI.

To learn more about how you can help safeguard fair competition for U.S. airlines and their workers, visit DenyNAI today.

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