

The Virgin Invasion

► The British are coming! Only this time, they're not after your tea taxes, they want your jobs and your paying passengers.

In December 2005, Virgin America filed an application with the U.S. Department of Transportation to operate as a U.S. air carrier. In January, it dropped the other shoe with an ap-

plication to the FAA for an operating certificate. unions of the AFL-CIO's Transportation Trades Department, and many U.S. airlines aren't buying Virgin's logic about the control provisions.

Branson or his associates hand-picked Virgin America's top management. The airline is nearly a carbon copy of the Virgin Air model, a fact that is not ameliorated by Virgin

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The management and owners of the new airline are moving in fast, and they mean business. Richard Branson, the billionaire founder of Virgin Atlantic Airlines and the globe-spanning stable of Virgin-branded businesses, has put up 49 percent of Virgin America's initial funding through investments and loans. A consortium of U.S. investors provided the rest of its \$177 million war chest. In contrast, JetBlue's first flight pushed back in 2000 with a mere \$135 million backing it.

Virgin America would operate A319s and A320s, with 33 firm deliveries on order and plans to grow to a fleet of 105. Besides San Francisco, where it has already leased space for its headquarters, the airline has its eyes on many other large and medium U.S. markets. (See "Coming Soon to an Airport Near You," above and next page.)

The airline claims that it meets the current limits on foreign ownership and control. ALPA, the 34 other

America's claim that it merely "bought a franchise."

While Virgin America's ownership has been structured to meet the letter of the law—Branson and related companies directly or indirectly control 49 percent of the stock and 25 percent of the voting stock—it defies logic to accept the airline's claim that it can and will operate under a totally "hands off" relationship with nearly half of its financier partnership.

Virgin's track record is not very encouraging. In addition to the inroads that the original Virgin Atlantic has made in its own markets, Virgin Blue, a low-cost Virgin Group spin-off in Australia, devastated the Aussie markets as badly as any of the invading animal and plant species has done to its native ecosystem. Within 3 years, it had gobbled up 28 percent of the entire continent's domestic service. As usual, employees, including pilots, paid the highest price.

All this would be bad enough if it was happening in isolation, but it's not. The DOT has floated a proposed change to its rules governing foreign



control of U.S. airlines. Because the European Union has made foreign investment in U.S. airlines a condition in ongoing talks to open up the international agreements that govern U.S.-European operations, the DOT has been chafing under the strict limits Congress has imposed on foreign ownership and control.


In a proposal that combines equal parts of wishful thinking and bureaucratic chutzpah, the DOT wants to virtually eliminate controls on foreign influence over the economic and operational aspects of U.S. airlines, such as markets, scheduling, and pricing.

ALPA, other unions and airlines, and some members of Congress don't see it that way.

In its response to the DOT proposal, ALPA objected on several grounds:

- The new rule would violate the federal statute governing foreign control of U.S. airlines.

"Coming Soon to an Airport Near You"

► Virgin America hasn't given a detailed list or timetable of which cities it will serve, but the airline notified airports in the mapped cities that they are under consideration or already have been selected for service. Most ALPA pilots will be affected by competitive entry into one or more of their airline's markets. 



- The rule changes would simply be bad public policy.
- A change of the proposed nature and magnitude would allow much of an airline's safety responsibilities to shift to foreign entities.
- The proposal is at odds with the control provisions of almost all of the bilateral agreements between the U.S. and foreign governments.
- The DOT has not demonstrated a need for foreign investment that would justify such a radical departure from current policy.

Bills introduced in the House and Senate would put the DOT rule on hold until Congress is furnished

more information and is allowed to exercise its oversight function. ALPA's president, Capt. Duane Woerth, was scheduled to testify on February 8 at hearings to be held by the House Aviation Subcommittee. (See the Legislative Alert on this notice of proposed rulemaking at crewroom.alpa.org. Copies of the ALPA testimony and rule comments are posted on the website.)

ALPA also supported Continental Airlines' motion to require Virgin America to furnish more information as part of its application. The DOT was expected to rule on that request in February.

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Paul Revere warned the Minute-men that it would be "one if by land, two if by sea" for the impending British onslaught. To which we can now add "and three if by air." —*John Mazor, Senior Communications Specialist*