Airline Tradeoff DA

**Note: As written, this disad should only be read against HSR.**

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The Airline Industry’s profitability is balancing on a knife’s edge – oil prices and Eurozone crisis

The Economic Times 6/12/12 [Anindya Upadhyay, ET Bureau, “Airline industry's profitability balancing on a knife's edge: IATA director-general and CEO Tony Tyler”, http://articles.economictimes.indiatimes.com/2012-06-12/news/32195258\_1\_iata-director-general-global-airline-body-international-air-transport-association, RH]

BEIJING: The fragile state of the aviation industry marked the general backdrop of the 68th annual general meeting of the International Air Transport Association (IATA) as the head of the global airline body, Tony Tyler, acknowledged that the **industry's profitability is precariously balanced on a "knife's edge."** "If the bottom line worsens by an equivalent of just 1% of revenue, our $3-billion profit very quickly becomes a $3-billion loss," IATA director-general and CEO Tony Tyler remarked at the annual conference. Citing the example of a round trip from New York to Beijing costing seven cents a kilometre as opposed to 31 cents for a New York taxi ride with four people on board, Tyler drew attention to the intense price competition to deliver value, which has toughened further. He pointed out that the high price of oil and the Eurozone crisis were the most immediate and serious downside risks to the industry in 2012. IATA expects average oil price of $110/barrel for this year.

Specifically, HSR trades off with airline profitability – drains passengers

Aerospace America 2/2012 [“High-speed rail will impact airliner markets”, http://www.aerospaceamerica.org/Documents/Aerospace-America-PDFs-2012/February-2012/International-Beat-FEB2012-2.pdf, RH]

HSR can clearly offer cheaper, more frequent, and more comfortable alternatives to air services in certain markets—HSR has 86% of the Osaka Tokyo travel market; the cities are 325 mi. apart—on a relatively ‘level’ competitive playing field such as Japan’s. But aircraft manufacturers and operators are worried that if governments appear to be heavily subsidizing HSR systems for environmental or other reasons, air will start to lose out to rail, and fewer aircraft will be needed. Mike Ambrose, director general of the European Regional Airlines Association, said in September 2011 at the association’s annual general meeting, “For too long, politicians have favored rail over air as a solution to many of the problems facing intra-European transport, including congestion, environmental impact, and investment programs. That high-speed rail is seen by key European decision-makers as a preferred alternative to air transport is more a result of doctrine than rational and transparent analyses.” In 2011 the association produced a study that showed annual government subsidies for rail in the 27 countries of the EU are 125 times higher than state aid granted to air transport. This factor, coupled with the growth in megacities in Asia and the movement of populations from the less densely populated regions (where airlines are often the only practical form of fast transport links), may put pressure on the long-term market drivers for single-aisle aircraft.

The Airline Industry is key to US Economic Growth and Global Competitiveness

Airlines for America 2/28/12 [formerly known as Air Transport Association of America, Inc. (ATA), was the first and remains the only trade organization of the principal U.S. airlines, “The Case for a U.S. National Airline Policy” http://www.womeningovernment.org/files/SharonPinkerton.pdf, RH]

Executive Summary A Vibrant U.S. Airline Industry Is Critical to U.S. Economic Growth and Global Competitiveness» Due to its geography and widespread established population centers, the U.S. economy depends on air transportation more than many other national economies» Effectively, the U.S. airline industry is the physical Internet of the U.S. economy – connecting domestic markets of all sizes and regions with each other and with rapidly growing global markets» The ability of the U.S. airline industry to drive U.S. economic growth, employment and exports, and to preserve and grow air service in nonhub communities, has been undermined by an uncoordinated patchwork of counterproductive public policies, or lack thereof» In contrast to the United States, many other countries have recognized and embraced their airline industries as critical enablers of economic expansion and sources of global relevance and competitive advantage for other industries» Foreign airlines are growing at a significant rate, reinvesting earnings in their product and expanding their global presence at the expense of U.S. airlines, with troubling implications for the entire U.S. economy 1 3. Executive SummaryOur Country’s Economic Future Hinges on Having a Cohesive National Airline Policy» Without a cohesive policy supporting the integral role of the U.S. airline industry in our economy, U.S. global economic leadership and competitive advantage will suffer» Similarly, domestic air-service levels will suffer, since it is the U.S. airlines, not foreign carriers, that are willing and able to serve U.S. markets, connecting smaller cities and rural communities with our international gateways» To help right the ship, U.S. policymakers could leverage the recommendations of multiple commissions, including those of the Future of Aviation Advisory Committee, regarding global competitiveness, taxation/regulation, infrastructure and energy» There is clear precedent for federal policy action: In the 1970s, U.S. policymakers helped revitalize our railroads, now the envy of the world and a critical mover of freight» There also is precedent for inaction, as seen in the demise of the U.S. maritime industry» A strong national airline policy would restore and enhance U.S. airline industry viability and enable it to increase air service across the nation, boost economic growth, expand exports and create more high-paying U.S. jobs 2 4. Why Is a Comprehensive Airline Policy in the National Interest? The U.S. Airline Industry Is a Critical Enabler of Commerce Moves business passengers Moves cargo Moves valuable exports Business Passengers (M) Freight Revenue Ton Miles (B) U.S. merchandise exported by air 30 290 $424B 265 Export Value ($/kg) 20 185 Sea 1.00 Air 116.78 10 In 2011, the value of U.S. 0 exports transported by air 1990 2000 2010 1980 1990 2000 2010 was 117 times the value of exports transported by seaNote: Passenger and freight data represent only scheduled service, and 2010 is estimated. Business passengers estimate based on assumption that 40 percent of air passengerstravel for business.Sources: BTS, T1, T-100 traffic data; Census Bureau, BCG analysis 3 5.

Economic Decline causes Nuclear War – studies prove

Royal 10 – Jedediah Royal, Director of Cooperative Threat Reduction at the U.S. Department of Defense, 2010, “Economic Integration, Economic Signaling and the Problem of Economic Crises,” in Economics of War and Peace: Economic, Legal and Political Perspectives, ed. Goldsmith and Brauer, p. 213-215

Less intuitive is how periods of economic decline may increase the likelihood of extern conflict. Political science literature has contributed a moderate degree of attention to the impact of economic decline and the security and defense behavior of interdependent states. Research in this vein has been considered at systemic, dyadic and national levels. Several notable contributions follow. First, on the systemic level, Pollins (2008) advances Modelski and Thompson’s (1996) work on leadership cycle theory, finding that rhythms in the global economy are associated with the rise and fall of a pre-eminent power and the often bloody transition from one pre-eminent leader to the next. As such, exogenous shocks such as economic crisis could usher in a redistribution of relative power (see also Gilpin, 1981) that leads to uncertainty about power balances, increasing the risk of miscalculation (Fearon, 1995). Alternatively, even a relatively certain redistribution of power could lead to a permissive environment for conflict as a rising power may seek to challenge a declining power (Werner, 1999). Seperately, Pollins (1996) also shows that global economic cycles combined with parallel leadership cycles impact the likelihood of conflict among major, medium and small powers, although he suggests that the causes and connections between global economic conditions and security conditions remain unknown. Second, on a dyadic level, Copeland’s (1996, 2000) theory of trade expectations suggests that ‘future expectation of trade’ is a significant variable in understanding economic conditions and security behavious of states. He argues that interdependent states are likely to gain pacific benefits from trade so long as they have an optimistic view of future trade relations, However, if the expectations of future trade decline, particularly for difficult to replace items such as energy resources, the likelihood for conflict increases, as states will be inclined to use force to gain access to those resources. Crisis could potentially be the trigger for decreased trade expectations either on its own or because it triggers protectionist moves by interdependent states.

Third, others have considered the link between economic decline and external armed conflict at a national level. Blomberg and Hess (2002) find a strong correlation between internal conflict and external conflict, particularly during periods of economic downturn. They write, The linkages between internal and external conflict and prosperity are strong and mutually reinforcing. Economic conflict tends to spawn internal conflict, which in turn returns the favor. Moreover, the presence of a recession tends to amplify the extent to which international and external conflict self-reinforce each other. (Blomberg & Hess, 2002. P. 89)

Economic decline has been linked with an increase in the likelihood of terrorism (Blomberg, Hess, & Weerapana, 2004), which has the capacity to spill across borders and lead to external tensions. Furthermore, crises generally reduce the popularity of a sitting government. ‘Diversionary theory’ suggests that, when facing unpopularity arising from economic decline, sitting governments have increase incentives to fabricate external military conflicts to create a ‘rally around the flag’ effect. Wang (1996), DeRouen (1995), and Blomberg, Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force are at least indirectly correlated. Gelpi (1997), Miller (1999), and Kisangani and Pickering (2009) suggest that the tendency towards diversionary tactics are greater for democratic states than autocratic states, due to the fact that democratic leaders are generally more susceptible to being removed from office due to lack of domestic support. DeRouen (2000) has provided evidence showing that periods of weak economic performance in the United States, and thus weak Presidential popularity, are statistically linked to an increase in the use of force. In summary, recent economic scholarship positively correlated economic integration with an increase in the frequency of economic crises, whereas political science scholarship links economic decline with external conflict at systemic, dyadic and national levels. This implied connection between integration, crisis and armed conflict has not featured prominently in the economic-security debate and deserves more attention. This observation is not contradictory to other perspectives that link economic interdependence with a decrease in the likelihood of external conflict such as those mentioned in the first paragraph of this chapter.

Uniqueness – Ext – 2NC Wall

Airline Industry profits are barely surviving – oil prices and competition

Joanne **Chiu 6/7**/12 [writer for Market Watch, “IATA: Airline profitability pressured by oil price”, http://www.marketwatch.com/story/iata-airline-profitability-pressured-by-oil-price-2012-06-07, RH]

Mr. Tyler's comments come as softening air traffic demand as well as high fuel prices continue to weigh on the outlook of the global aviation industry. According to IATA, an industry lobby group, profitability from the sector will likely fall by more than half this year from $7.9 billion in 2011. IATA, which represents about 240 airlines comprising 84% of scheduled international traffic, in March cut its forecast for airlines' net profit for this year by 14% to $3 billion from $3.5 billion, citing higher oil prices. This estimation represents a sharp fall from the record $15.8 billion net profit for the industry in 2010. IATA will deliver its latest forecasts for the global aviation industry early next week, as top airline executives gather in Beijing for the association's annual general meeting, with high oil prices, intensifying competition, as well as sluggish air cargo demand among the key issues they will need to tackle.

Airline Industry surviving but is tenuous – GDP and oil

**IATA 3/20**/12 [International Air Transport Association, “Rising Oil Prices Reducing Profitability - Regional Differences Widen”, http://www.iata.org/pressroom/pr/pages/2012-03-20-01.aspx, RH]

Geneva – The International Air Transport Association (IATA) announced a downgrade to its industry outlook for 2012 primarily due to rising oil prices. IATA expects airlines to turn a global profit of $3.0 billion in 2012 for a 0.5% margin. This $500 million downgrade from the December forecast is primarily driven by a rise in the expected average price of oil to $115 per barrel, up from the previously forecast $99. Several factors prevented a more significant downgrade: (1) the avoidance of a significant worsening of the Eurozone crisis, (2) improvement in the US economy, (3) cargo market stabilization and (4) slower than expected capacity expansion. “2012 continues to be a challenging year for airlines. The risk of a worsening Eurozone crisis has been replaced by an equally toxic risk—rising oil prices. Already the damage is being felt with a downgrade in industry profits to $3.0 billion,’’ said Tony Tyler, IATA’s Director General and CEO. Airline performance is closely tied to global GDP growth. Historically, when GDP growth drops below 2.0%, the global airline industry returns a collective loss. “With GDP growth projections now at 2.0% and an anemic margin of 0.5%, it will not take much of a shock to push the industry into the red for 2012,” said Tyler.

Airline Industry is attempting to survive now

Dave **Demerjian 2008** [writer for Wired, “Airline Industry Begs For Help As It Fights to Survive”, http://www.wired.com/autopia/2008/06/the-internation/, RH]

The global airline industry is taking a beating these days — it could lose as much as $6.1 billion this year — and with airlines folding or going bankrupt at a rate of about one a week, it’s begging everyone short of the skycaps to help it survive. The situation is so dire the International Air Traffic Association issued a resolution on Monday at its annual meeting calling on the world’s governments, airports and airline employees "to take immediate action to help the industry survive the growing financial crisis." Reading it, you can almost feel the panic enveloping an industry that turned a $5.6 billion profit last year. "The airline industry is sending a clear message to governments, partners and labor," association CEO Giovanni Bisignani said. The association represents 230 airlines operating 94 percent of all international and cargo flights. "We are in crisis." Their answer to the crisis is a six-point resolution urging governments to cool it with the taxes, warns workers to be realistic when it comes to contract negotiations and demands that airports revamp and re-engineer their infrastructure ASAP. The resolution has caused some eye-rolling among industry analysts who say begging for help won’t save the industry from itself. "Global warming just increased," aviation consultant Michael Boyd said of the resolution and the hot air behind it. "Airlines need to look at the way they run their businesses before asking everyone else for help." There’s no doubt the airline industry is in trouble. But it needs to clean house before crying wolf.

Uniqueness – Ext – Growth Now

Airline industry is slowly recovering – the brink is now – 3 reasons

a- Long term growth predicted in the industry but airlines are battered

Alan Levin 2011 [writer for USA Today, “FAA predicts steady growth for airline industry”, http://travel.usatoday.com/flights/story/2011/02/FAA-predicts-steady-growth-for-airline-industry/43752062/1, RH]

WASHINGTON – The embattled airline industry will see solid long-term growth over the next 20 years with yearly passenger totals climbing from 713 million to nearly 1.3 billion, the government predicted today. That growth will add huge new pressures on the aviation system, requiring technological improvements to ensure that it can handle the additional traffic, said Transportation Secretary Ray LaHood. "**We need to invest in aviation today to make sure America's economy remains competitive,"** LaHood said. The annual Federal Aviation Administration aviation forecast projects small increases in airline flights and passengers this year compared to 2010. Overall, the amount of flights will decrease slightly this year due to continuing decreases in private aircraft flights, the FAA says. After a decade in which the airlines lost a collective $60 billion, the FAA says the industry turned a profit last year of $9.5 billion as the U.S. economy rebounded from recession and airfares rose. Domestic airline passengers are expected to increase by 3% this year over last and then climb by an average of 2.5% annually for the remainder of the next 20 years. International traffic is forecast to surge this year by 7.8% and continue growing by 4.3%, the FAA says. Some airline industry experts see the government's forecast as overly rosy, given the past decade of massive upheaval in the industry. "We've got some turbulence ahead of us, there is no doubt about that," says Darryl Jenkins, an airline consultant. "**And it's going to be turbulent for another four or five years**." Stung by the Sept. 11, 2001, terrorist attacks, high fuel prices and a sour economy, the airline industry has responded by slashing capacity. Given the huge debt that the industry carries from years of losses, Jenkins says he does not see a significant expansion any time soon. "It's a very optimistic long-term outlook in an industry where optimism usually kills you," he says of the FAA's forecast.

b- long term increased passenger traffic

Gregory Karp 3/8/12 [Chicago Tribune reporter, “Air travel to nearly double in next 20 years, FAA says”, http://articles.chicagotribune.com/2012-03-08/business/chi-air-travel-to-nearly-double-in-next-20-years-faa-says-20120308\_1\_air-travel-air-traffic-forecasts, Chicago Tribune, RH]

The airline industry, which traditionally has run in boom-and-bust cycles, has a good chance to be profitable over the next 20 years as demand for air travel grows worldwide. And good news for passengers: airfares will rise relatively slowly over that time. That prediction comes from a Federal Aviation Administration report released Thursday on the state of U.S. airline industry, the FAA Aerospace Forecast Fiscal Years 2012-2032. "Over the long term, we see a competitive and profitable industry characterized by increasing demand for air travel and airfares growing more slowly than inflation," the report says. "Going into the next decade, there is cautious optimism that the industry has been transformed from that of a boom-to-bust cycle to one of sustainable profits." The report predicts more demand for air travel despite rising oil prices and the current climate of economic uncertainty in the U.S and Europe. It forecasts that the industry will grow from 731 million passengers in 2011 to 1.2 billion in 2032. Air traffic growth for U.S. carriers is expected to rise by more than 90 percent during that time. It grew by 3.5 percent in 2011. "This year, more people will be flying more miles, and we expect that to continue in future years," FAA Acting Administrator Michael Huerta said in a statement. Overall, however, **the forecast is more dour on the near-term prospects**. For example, it forecasts that annual global air traffic will reach 1 billion passengers in 2024, three years later than last year's projection. "Growth over the next five years will be moderate, with a return to historic levels of growth only attainable in the long term," the report says.

c- new aircraft and markets

Chun Han 2/12/12 [writer for Market Watch, “Boeing executive sees 'strong' long-term growth”, http://www.marketwatch.com/story/boeing-executive-sees-strong-long-term-growth-2012-02-12-2332570, Wall Street Journal, RH]

SINGAPORE -(MarketWatch)- U.S. aerospace giant Boeing Co. BA +1.19% projects "strong" long-term growth in the airline industry over the next two decades, with Asia-Pacific carriers providing the impetus of that expansion. For the 2011-2030 period, global airlines are forecast to require 33,500 new aircraft worth about US$4 trillion, according to presentation slides provided by Boeing Commercial Airplanes' Vice President for Marketing Randy Tinseth. Demand will be underpinned by Asia-Pacific carriers, which are likely to need 11,450 new aircraft worth US$1.5 trillion over the same period, Tinseth said. Of the 33,500 new planes needed globally, about **60% will be for growth**, with the remainder for replacement needs. Accordingly, Boeing is stepping up production to meet this projected demand and is also considering rolling out an enlarged version of its 787 Dreamliner, Tinseth said. That jet will be able to carry up to 320 passengers, 40 more than currently. Meanwhile, new financial regulations and rising interest rates offered by import-export banks could mean airlines increasingly fund aircraft purchases and leasing via capital markets, or through aircraft leasing companies, Tinseth said. "Basel III, we believe, will make the banks a little bit more conservative...The European banks will step back a little in terms of financing this year," he said. "We believe the capital markets will step up...The import-export banks will continue to do a great deal of financing, but next year, their rates are to go up because of new aircraft-sector understandings," Tinseth said.

Link – Ext – HSR

HSR trades off with the airline industry – competition

Xiaowen **Fu et al 5/2012** [Xiaowen Fu, Faculty of Business, Hong Kong Polytechnic University, Hong Kong, China, Anming Zhang, Sauder School of Business, University of British Columbia, Canada, Zheng Lei, Department of Air Transport, Cranfield University, UK, “Will China’s airline industry survive the entry of high-speed rail?”, *Research in Transportation Economics*, Volume 35, Issue 1, May 2012, Pages 13–25, Science Direct, RH]

Sharp competition between HSR and airlines has been witnessed in markets around the world, particularly in short to medium routes linking metropolitan cities. HSR was introduced to Spain in 1992 with the opening of the 472 km Madrid–Sevilla line. The rail share of the whole air + rail market increased from 21% in 1991 to 82% in 1993. In the London–Paris route, EuroStar has, since introduced in 1994, captured about 80% of the point-to-point traffic (Steer Davies Gleave, 2006). The Taiwan High Speed Rail (THSR) started operation in January 2007, linking Taipei and Kaohsiung along the west coast with a total distance of 335.5 km. In less than three years, THSR has eliminated intra-Taiwan air travel services. In South Korea, the opening of HSR between Seoul and Busan in 2004 has significantly reduced air traffic between the two cities. The International Transport Forum (2009) reported that domestic air traffic in France declined by 7% between 2000 and 2007, which was mostly attributable to the increased availability of HSR connections. HSRs have advantage in “generalized traveling time” in short- and medium-distance routes. Although it takes less time to fly over the same station-to-station distance, air passengers may spend more time in traveling because they need to arrive at the airports much earlier for boarding and security check. In addition, railway stations are normally closer to downtowns and have better land transportation networks compared to airports. Goldman Sachs (2010a) reviewed 20 major HSR routes in the world and found HSR travelers spend 92% of the journey time on train, vs. 62% for air travelers on planes. The optimal operation distance for high-speed railways is within 3–4 h, with its time advantage disappearing for travel requiring more than 4 h. World Bank (2010) reported that the average distance traveled by passengers on the Chinese railway system has increased from 275 km in 1990 to 534 km in 2008. This probably translates to an average en-route time of 3–4 h given the low HSR penetration rate during this period. The maximum running speed of newest CRH service reached 380 km/h in 2010 which translates to about 300 km/h average speed depending on the number of stops along the line.11 However, in early 2011 it was decided by the Ministry of Railways that the maximum speed will be reduced to 300 km/h. A rough estimation suggests that CRH may be competitive for city pairs up to 1200 km apart (300 km/h × 4h or 250 km/h × 4 h 50 min) considering the relatively low per capita income and thus low value of time in China. Table 3 reports the Chinese domestic air travel distribution by distance in various years since 2001. Although domestic traffic volume has increased dramatically since then, the distribution by route distance has remained stable in terms of available seats or frequency. Overall, routes below 1200 km account for over 60% of total domestic air capacity. Since air traffic in China is concentrated in links to major cities which will have HSR service, a significant proportion of those markets will face HSR competition in the future.

HSR hurts the airline industry – China proves

**CAPA 2011** [CAPA Center for Innovation, “China's aviation industry to suffer billions in losses from high-speed rail”, http://centreforaviation.com/analysis/chinas-aviation-industry-to-suffer-billions-in-losses-from-high-speed-rail-50007, RH]

High-speed rail is rapidly becoming a pillar of China's transportation network and an increasing threat to local airlines that have prospered from years of strong demand growth and a lack of efficient ground transport alternatives. China's burgeoning high-speed rail network is already the world's most extensive at 8358 km as at the end of 2010. But that is just the start. A 50% increase in the network is planned in 2011 alone. China’s aviation industry is bracing for a reduction in revenues and profitability arising from rising competition from high-speed rail. International expansion is an increasingly necessary option for China's airlines. Some estimates put the loss in revenue for China’s aviation industry (from reduced traffic and price pressure) at up to CNY10 billion (USD1.5 billion) in 2012, or 3-4% of the total. CAAC Director Li Jiaxiang stated some 50% of flights less than 500 km in length could become unprofitable as a result of competition from high-speed trains and around 20% of flights of between 800 and 1000 km could also run at a loss for the same reason. But sectors above 1500 km are not likely to be threatened, he added.

HSR takes passengers from airlines – Spain proves

Giles **Tremlett 2009** [writer for the Guardian, “Spain's high-speed trains win over fed-up flyers”, http://www.guardian.co.uk/world/2009/jan/13/spain-trains, RH]

Spain's sleek new high-speed trains have stolen hundreds of thousands of passengers from airlines over the last year, slashing carbon emissions and marking a radical change in the way Spaniards travel. Passenger numbers on fuel-guzzling domestic flights fell 20% in the year to November as commuters and tourists swapped cramped airline seats for the space and convenience of the train, according to figures released yesterday. High-speed rail travel - boosted by the opening of a line that slashed the journey time from Madrid to Barcelona to 2 hours 35 minutes in February - grew 28% over the same period. About 400,000 travellers shunned airports and opted for the 220mph AVE trains. Last year's drop in air travel, which was also helped by new high-speed lines from Madrid to Valladolid, Segovia and Malaga, marks the beginning of what experts say is a revolution in Spanish travel habits. In a country where big cities are often more than 500km (300 miles) apart, air travel has ruled supreme for more than 10 years. A year ago aircraft carried 72% of the 4.8 million long-distance passengers who travelled by air or rail. The figure is now down to 60%. "The numbers will be equal within two years," said Josep Valls, a professor at the ESADE business school in Barcelona.

HSR forces a tradeoff

Christopher **Knight 7/5**/12 [CACS, California Common Sense, a non-partisan non-profit dedicated to opening government to the public, developing data-driven policy analysis, and educating citizens about how their governments work, “California's High-Speed Rail Realities: Briefly Assessing the Project's Construction Cost, Debt Prospects, and Funding”, http://www.cacs.org/images/dynamic/articleAttachments/13.pdf]

The CHSRA has additional plans for two other sources of financing, but both of these have limitations. The more tentative plan is to use auction revenues from the State’s AB 32 cap-and-trade mechanism as a “backstop” in case of insufficient federal funding. However, California’s nonpartisan Legislative Analyst’s Office has pointed out that these revenues are legally restricted to projects that reduce greenhouse gas emissions prior to 2020, which CA HSR does not. Lawmakers will also have to justify why CA HSR is a better use of auction revenues than other much more costeffective ways to reduce greenhouse gas emissions. 1 4 But if AB 32 revenues are made available for HSR and diverted from other services, then the HSR project forces a tradeoff between it and those other services. The second, more feasible, plan is to rely on private sector investment. However, as we explain below, it appears that the CHSRA is substantially underestimating operating costs, and because of this, the discounted cash flows over the life of the HSR system will be much lower than the $1 3 billion CHSRA expects. This means that the private sector will be highly unlikely to invest even the already modest currently projected figures.

Studies prove that 11-20% will switch to HSR

David Randall **Peterman et al 6/28**/12 [Peterman, Analyst in Transportation Policy, John Frittelli, Specialist in Transportation Policy, William J. Mallett, Specialist in Transportation Policy, “The Development of High Speed Rail in the United States: Issues and Recent Events”, http://www.fas.org/sgp/crs/misc/R42584.pdf, RH]

In heavily traveled and congested corridors, HSR has the potential to relieve highway and air traffic congestion, and thereby to reduce the need to pay for capacity expansions of roads and airports. 68 With respect to highway congestion relief, many studies estimate that HSR will have little positive effect because most highway traffic is local and the diversion of intercity trips from highway to rail will be small. In a 1997 study, FRA estimated that in most cases rail improvements would divert only 3%-6% of intercity automobile trips, and even less in corridors with average trip lengths under 150 miles. 69 DOT’s Inspector General (IG) found much the same thing in a more recent analysis of HSR in the Northeast Corridor, estimating that reductions of one hour in rail trip times from Boston to New York and from New York to Washington would reduce automobile ridership along the NEC by less than 1%. 70 Planners of a high speed rail link in Florida between Orlando and Tampa, a distance of about 84 miles, estimated that it would shift 11% of those driving between the two cities to the train, but because most of the traffic on the main highway linking the two cities, Interstate 4, is not travelling between Orlando and Tampa, the HSR project was estimated to reduce traffic on the busiest sections of I-4 by less than 2%. 71 Since HSR is more comparable to commercial air travel than to automobile travel, it is likely that in the right circumstances a significant share of air travelers would switch to HSR. The IG’s study of the NEC estimated that 11%-20% would divert to HSR from air, depending upon train speeds, concluding that “this would provide congestion relief at NEC airports and in NEC airspace.” 72

Passengers will opt to HSR

Dan **Milmo 2011** [writer for the Guardian, “After 9/11: airports 'wasting billions' on needless security checks for passengers”, http://www.guardian.co.uk/world/2011/sep/07/airports-wasting-billions-needless-security]

Rail operators also believe they have benefited, with Eurostar now the dominant player in the rail/air market between London and Paris and Brussels, and Virgin Trains and the east coast mainline also seeing a rising share in the London-to-Scotland rail market. "While better performance has been a key element in growth, undoubtedly the airport security issues have also been a key factor," said a Virgin Trains spokesman. Nicolas Petrovic, Eurostar's chief executive, said: "The combination of ease, convenience and a speedy check-in process means that travellers are increasingly opting for high-speed rail over plane."

Internal Link - Ext – Aerospace Industry Module

The Airline Industry directly affects the Aerospace Industry – 9/11 proves

**Kaiser Aluminum Corporation 2008** [“SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549 Form 10-K OF THE SECURITIES EXCHANGE ACT OF 1934”, <http://www.sec.gov/Archives/edgar/data/77476/000119312511040427/d10k.htm>, US Security and Exchanges Commission, RH]

We derive a significant portion of our revenue from products sold to the aerospace industry, which is highly cyclical and tends to decline in response to overall declines in industrial production. As a result, our business is affected by overall levels of industrial production and fluctuations in the aerospace industry. **The commercial aerospace industry is historically driven by the demand from commercial airlines for new aircraft**. **Demand for commercial aircraft is influenced by airline industry profitability**, trends in airline passenger traffic, by the state of the U.S. and world economies and numerous other factors, including the effects of terrorism. The military aerospace cycle is highly dependent on U.S. and foreign government funding; however, it is also driven by the effects of terrorism, a changing global political environment, U.S. foreign policy, regulatory changes, the retirement of older aircraft and technological improvements to new aircraft engines that increase reliability. The timing, duration and severity of cyclical upturns and downturns cannot be predicted with certainty. A future downturn or reduction in demand could have a material adverse effect on our financial position, results of operations and cash flows. In addition, because we and other suppliers are expanding production capacity, heat treat plate prices may eventually begin to decrease as production capacity increases or demand decreases. Although we have implemented cost reduction and sales growth initiatives to minimize the impact on our results of operations, as heat treat plate prices return to more typical historical levels, these initiatives may not be adequate and our financial position, results of operations and cash flows may be adversely affected. Similarly, additional delays in the ramp up of production of new commercial aircraft programs could substantially reduce near-term demand for certain of our products. A reduction in anticipated demand could have a material adverse effect on our financial position, results of operations and cash flows. A number of major airlines have also recently undergone chapter 11 bankruptcy and continue to experience financial strain from high fuel prices. Continued financial instability in the industry may lead to reduced demand for new aircraft that utilize our products, which could adversely affect our financial position, results of operations and cash flows. The aerospace industry suffered significantly in the wake of the events of September 11, 2001, resulting in a sharp decrease globally in new commercial aircraft deliveries and order cancellations or deferrals by the major airlines. This decrease reduced the demand for our Aero/HS products. While there has been a recovery since 2001, the threat of terrorism and fears of future terrorist acts could negatively affect the aerospace industry and our financial position, results of operations and cash flows.

Aerospace Industry is key to econ, national security, and technological innovation

**ITA 2011** [The International Trade Administration (ITA) is the premier resource for American companies competing in the global marketplace. ITA has 2,100 employees assisting U.S. exporters in more than 100 U.S. cities and 77 countries worldwide, “AEROSPACE INDUSTRY IS CRITICAL CONTRIBUTOR TO U.S. ECONOMY ACCORDING TO OBAMA TRADE OFFICIAL AT PARIS AIR SHOW”, http://trade.gov/press/press-releases/2011/aerospace-industry-critical-contributor-to-us-economy-062111.asp, RH]

PARIS – Francisco Sánchez, Under Secretary of Commerce for International Trade, addressed national and international groups at the 2011 Paris Air Show to reinforce the President’s National Export Initiative (NEI) and support the U.S. aerospace industry. “The U.S. aerospace industry is a strategic contributor to the economy, national security, and technological innovation of the United States,” Sánchez said. “The industry is key to achieving the President’s goals of doubling exports by the end of 2014 and contributed $78 billion in export sales to the U.S. economy in 2010.” During the U.S. Pavilion opening remarks, Sánchez noted that the aerospace sector in the United States supports more jobs through exports than any other industry. Sánchez witnessed a signing ceremony between Boeing and Aeroflot, Russia’s state-owned airline. Aeroflot has ordered eight 777s valued at $2.1 billion, and the sales will support approximately 14,000 jobs. “The 218 American companies represented in the U.S. International Pavilion demonstrate the innovation and hard work that make us leaders in this sector,” said Sánchez. “I am particularly pleased to see the incredible accomplishments of U.S. companies participating in the Alternative Aviation Fuels Showcase, which demonstrates our leadership in this important sector and shows that we are on the right path to achieving the clean energy future envisioned by President Obama.” The 2011 Paris Air Show is the world’s largest aerospace trade exhibition, and features 2,000 exhibitors, 340,000 visitors, and 200 international delegations. The U.S. aerospace industry ranks among the most competitive in the world, boasting a positive trade balance of $44.1 billion – the largest trade surplus of any U.S. manufacturing industry. It directly sustains about 430,000 jobs, and indirectly supports more than 700,000 additional jobs. Ninety-one percent of U.S. exporters of aerospace products are small and medium-sized firms.

Impact – Ext – Competitiveness Key to Heg

US competitiveness is key to heg

Adam **Segal** **2004**, [Maurice R. Greenberg Senior Fellow in China Studies at the Council on Foreign Relations and the author of “Digital Dragon: High Technology Enterprises in China”, November/December, “Is America Losing its Edge?” Foreign Affairs, http://www.foreignaffairs.com/articles/60260/adam-segal/is-america-losing-its-edge]

The United States' global primacy depends in large part on its ability to develop new technologies and industries faster than anyone else. For the last five decades, U.S. scientific innovation and technological entrepreneurship have ensured the country's economic prosperity and military power. It was Americans who invented and commercialized the semiconductor, the personal computer, and the Internet; other countries merely followed the U.S. lead. Today, however, this technological edge-so long taken for granted-may be slipping, and the most serious challenge is coming from Asia. Through competitive tax policies, increased investment in research and development (R&D), and preferential policies for science and technology (S&T) personnel, Asian governments are improving the quality of their science and ensuring the exploitation of future innovations. The percentage of patents issued to and science journal articles published by scientists in China, Singapore, South Korea, and Taiwan is rising. Indian companies are quickly becoming the second-largest producers of application services in the world, developing, supplying, and managing database and other types of software for clients around the world. South Korea has rapidly eaten away at the U.S. advantage in the manufacture of computer chips and telecommunications software. And even China has made impressive gains in advanced technologies such as lasers, biotechnology, and advanced materials used in semiconductors, aerospace, and many other types of manufacturing. Although the United States' technical dominance remains solid, the globalization of research and development is exerting considerable pressures on the American system. Indeed, as the United States is learning, globalization cuts both ways: it is both a potent catalyst of U.S. technological innovation and a significant threat to it. The United States will never be able to prevent rivals from developing new technologies; it can remain dominant only by continuing to innovate faster than everyone else. But this won't be easy; to keep its privileged position in the world, the United States must get better at fostering technological entrepreneurship at home.

Impact – Ext – Readiness Module

Independently, aviation issues hurt military readiness

Ian **Waitz et al 2004** [PARTNER Director, MIT, Ian Waitz, Jessica Townsend, Joel Cutcher-Gershenfeld, Edward Greitzer, and Jack Kerrebrock, December 2004, MIT, Report to the United States Congress: Aviation and the Environment”, p.11, <http://web.mit.edu/aeroastro/partner/reports/congrept_aviation_envirn.pdf>]

Despite this progress, and despite aviation’s relatively small environmental impact in the United States, there is a compelling and urgent need to address the environmental effects of air transportation. Because of strong growth in demand, emissions of some pollutants from aviation are increasing against a background of emissions reductions from many other sources. In addition, progress on noise reduction has slowed. Millions of people are adversely affected by these side effects of aviation. As a result of these factors and the rising value being placed on environmental quality, there are increasing constraints on the mobility, economic vitality and security of the nation. Airport expansion plans have been delayed or canceled due to concerns over local air quality, water quality and community noise impacts. Military readiness is challenged by restrictions on operations. These effects are anticipated to grow as the economy and demand for air transportation grow. If not addressed, environmental impacts may well be the fundamental constraint on air transportation growth in the 21st century. The concerns extend well beyond American shores. For example, within the European Union (EU) the climate impacts of aviation are identified as the most significant adverse impact of aviation, in contrast to the United States and many other nations where air quality and noise are the current focus of attention. As a result, there are increasing EU calls for regulation—trading, taxes and charges, demand management and reduced reliance on aviation—even though there is large uncertainty in the understanding of the climate effects of aircraft and appropriate means to mitigate these effects. Despite the importance of this issue, the United States does not have a significant research program to assess the potential impacts of aviation on climate. This may put the United States at a disadvantage in evaluating technological, operational and policy options, and in negotiating appropriate regulations and standards with other nations. The international concerns will continue to grow with the strong increase in air transportation demand anticipated for Asia. Immediate, focused action is required to address the interdependent challenges of aviation noise, local air quality and climate impacts. Not acting, as stated above, will not only affect millions of Americans living near airports but will adversely impact the vitality and security of our nation. A national vision and strategic plan of action are required.

Readiness is key to heg

**Flournoy and Hunt 2008** Senior Associate at the Center for Strategic and International Studies and Research Associate for the Center for a New American Security [Michèle A. and Alice E., “Military Readiness Overview: Ready or Not? U.S. Military Readiness Now and for the Future” The Center for American Progress Action Fund http://www.americanprogressaction.org/issues/2008/changeforamerica/pdf/readiness.pdf]

But readiness means more than having forces ready to deploy to ongoing operations. The U.S. military must also maintain its readiness for possible contingencies, such as a conflict in the Middle East, with North Korea, or with China. Because such contingencies may differ significantly from Afghanistan or Iraq, maintaining the readiness of the U.S. military writ large is a balancing act between the demands of ongoing operations and the possible requirements of other missions that may arise. The services must thereforeensure that their forces train and equip for a broad array of potential missions—something the Army calls “readiness for the full-spectrum of operations.” Successfully maintaining this balance between readiness for current operations and readiness for possible contingencies is important because it buys the United Statescritical insurance against emerging threats to our national security. A ready force gives the United States the flexibility to respondrapidlyto a variety of scenarios, andcan helpbuild trust among partner nations, as evidenced by programs such as the NATO-led Partnership for Peace. Ready and available forces may also enable us to deter potential adversaries from taking aggressive action against U.S. interests and allies. Conversely, failure to maintain an adequate reserve of ready forces can expose the United States to tactical, operational, and strategic risks. These risks include being unable to respond rapidly or with enough forces to safeguard U.S. interests in a crisis, performing poorly in operations, and accepting increased risk in terms of the time, effort, and costs required to achieve U.S. objectives. When the U.S. military’s “readiness is being consumed as fast as we can build it,” as General George W. Casey, Jr. has described the current state of our armed forces, its ability to respond to future contingencies decreases and strategic risk to the nation increases over time.

Impact – Ext – Heg Good

U.S. hegemony’s key to prevent international power vacuums and war.

Thayer 07 (Bradley A., Former research fellow, International Security Program, Associate Professor of Defense and Strategic Studies at Missouri State University, American Empire: A Debate [Christopher Layne and Bradley A. Thayer], pgs. 108-9)

The fourth critical fact to consider is that the security provided by the power of the United States creates stability in international politics. That is vitally important for the world, but easily forgotten. Harvard professor Joseph Nye often compares the security provided by the United States to oxygen. If it were taken away, a person would think of nothing else. If the security and stability provided by the United States were taken away, most countries would be much worse off, and **arms races, vicious security competition, and wars would result**. It would be a world without NATO or other key U.S. alliances. We can imagine easily conflict between traditional rivals like Greece and Turkey, Syria and Israel, India and Pakistan, Taiwan and China, Russia and Georgia, Hungary and Romania, Armenia and Azerbaijan, and an intense arms race between China and Japan. In that world, the breakup of Yugoslavia would have been a far bloodier affair that might have escalated to become another European war. In contrast to what might occur absent U.S. power, we see that the post—Cold War world dominated by the United States is an era of peace and stability. The United States does not provide security to other countries because it is altruistic. Security for other states is a positive result (what economists call a positive externality) of the United States pursuing its interests. Therefore, it would be a mistake to seek “benevolence” in great power politics. In international politics, states advance their self-interest and, most often, what might appear to be “benevolent” actions are undertaken for other reasons. To assist Pakistani earthquake refugees, for example, is benevolent but also greatly aids the image of the United States in the Muslim world—so self-interest is usually intertwined with a humanitarian impulse .The lesson here is straightforward: Countries align themselves with the United States because to do so coincides with their interests, and they will continue to do so only as long as their interests are advanced by working with Uncle Sam. In 1848, the great British statesman Lord Palmerston captured this point best when he said: “We have no eternal allies and we have no perpetual enemies. Our interests are eternal and perpetual, and those interests it is our duty to follow.”

Impact – Ext – Air Power Module

The Airline Industry directly affects the Aerospace Industry – 9/11 proves

**Kaiser Aluminum Corporation 2008** [“SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549 Form 10-K OF THE SECURITIES EXCHANGE ACT OF 1934”, http://www.sec.gov/Archives/edgar/data/77476/000119312511040427/d10k.htm, US Security and Exchanges Commission, RH]

We derive a significant portion of our revenue from products sold to the aerospace industry, which is highly cyclical and tends to decline in response to overall declines in industrial production. As a result, our business is affected by overall levels of industrial production and fluctuations in the aerospace industry. **The commercial aerospace industry is historically driven by the demand from commercial airlines for new aircraft**. **Demand for commercial aircraft is influenced by airline industry profitability**, trends in airline passenger traffic, by the state of the U.S. and world economies and numerous other factors, including the effects of terrorism. The military aerospace cycle is highly dependent on U.S. and foreign government funding; however, it is also driven by the effects of terrorism, a changing global political environment, U.S. foreign policy, regulatory changes, the retirement of older aircraft and technological improvements to new aircraft engines that increase reliability. The timing, duration and severity of cyclical upturns and downturns cannot be predicted with certainty. A future downturn or reduction in demand could have a material adverse effect on our financial position, results of operations and cash flows. In addition, because we and other suppliers are expanding production capacity, heat treat plate prices may eventually begin to decrease as production capacity increases or demand decreases. Although we have implemented cost reduction and sales growth initiatives to minimize the impact on our results of operations, as heat treat plate prices return to more typical historical levels, these initiatives may not be adequate and our financial position, results of operations and cash flows may be adversely affected. Similarly, additional delays in the ramp up of production of new commercial aircraft programs could substantially reduce near-term demand for certain of our products. A reduction in anticipated demand could have a material adverse effect on our financial position, results of operations and cash flows. A number of major airlines have also recently undergone chapter 11 bankruptcy and continue to experience financial strain from high fuel prices. Continued financial instability in the industry may lead to reduced demand for new aircraft that utilize our products, which could adversely affect our financial position, results of operations and cash flows. The aerospace industry suffered significantly in the wake of the events of September 11, 2001, resulting in a sharp decrease globally in new commercial aircraft deliveries and order cancellations or deferrals by the major airlines. This decrease reduced the demand for our Aero/HS products. While there has been a recovery since 2001, the threat of terrorism and fears of future terrorist acts could negatively affect the aerospace industry and our financial position, results of operations and cash flows.

Aerospace Industry sustains Air Power

John W. **Douglass 2007** [Retired AIA President & CEO, Aerospace Industries Association, Originally appeared in USAF, “The U.S. Air Force and the American Aerospace Industry: A Soaring Partnership”, http://www.aia-aerospace.org/newsroom/opinion\_articles/The\_US\_Air\_Force\_and\_the\_American\_Aerospace\_Industry\_A\_Soaring\_Partnershi/, RH]

The U.S. Air Force has been on the forefront of our military success around the world and throughout the past century. Some of the most advanced technology in the world is being developed for the Fifth-Generation Fighters - the F-22 and F-35. The most advanced fighter aircraft in the world, the F-22 Raptor is a revolutionary leap in technology that unites advanced capability with reduced maintenance costs and support requirements. The F-22's combination of stealth, advanced avionics, and maneuverability will give pilots a first-look, first-shot, first-kill capability against any potential enemy. F-35 Lightening II represents unprecedented international cooperation on developing an advanced platform, with eight other nations participating from the early stages of the program. The Air Force is continuing to look forward in its position as a world technology leader, beginning the process of developing the next generation long-range strike aircraft in 2007. The U.S. aerospace industry and Air Force have grown up together, two siblings that have supported and sustained each other through successes and challenges for almost a century. From the sands of Kitty Hawk to the skies of Europe and Asia to more recent challenges over the Middle East, our men and women in uniform know they can count on their compatriots in the factories back home crafting the best equipment in the world to ensure our airmen and women are safe and victorious.

Air Power is key to power projection

Mark A. **Gunzinger 1993** [Senior Fellow at CSBA, former Deputy Assistant Secretary of Defense for Forces Transformation and Resources, former Director for Defense Transformation, Force Planning and Resources on the National Security Council staff, a key player in every major defense review since the end of the Cold War, “POWER PROJECTION: MAKING THE TOUGH CHOICES”, http://aupress.au.af.mil/digital/pdf/paper/t\_gunzinger\_power\_projection.pdf]

Throughout Global Reach--Global Power Secretary Rice emphasizes how the "unique characteristics of the Air Force-- speed, range, flexibility, precision, and lethality--can contribute to underwriting US national security needs in the evolving world order.î 33 In a March 1990 address Secretary Rice explained how each of these characteristics add to the power projection capability of air forces. Speed refers to the ability of air forces to rapidly project power in order to influence, deter, or strike in a matter of hours. Range allows operations to be conducted over vast distances without suffering the physical limitations imposed by land or sea obstacles. Lethality describes the ability of air forces to directly attack the heart of the enemy without need for extensive outside support. Moreover, airpower can deliver this ordnance with precision, minimizing collateral damage. Flexibility allows a rapid shift in the priority or place of employment. Secretary Rice added survivability to the list of characteristics, since airpower can avoid threats or rapidly transit high threat areas as well as minimizing the number of people placed at risk. Much as the Navy and Marines Corps emphasize the United States is a maritime nation, Secretary Rice called the United States an aerospace nation, based on its airpower projection capability and leading role in the international aerospace industry. 35 By labeling the US an aerospace nation, he was not claiming the Air Force was capable of or desired to operate in a vacuum. In both his White Paper and March 1990 speech, Secretary Rice clearly stated power projection was a mission for all of the military services. By saying this, Secretary Rice joins the other services in recognizing the need for cooperation in maintaining a strong power projection capability.

Decline of US Power Projection causes great power wars

Yuhan **Zhang** **and** Lin **Shi** **2011** [Yuhan Zhang, a researcher at the Carnegie Endowment for International Peace, Washington, D.C.; Lin Shi, Columbia University, serves as an independent consultant for the Eurasia Group and a consultant for the World Bank in Washington, D.C., “America’s decline: A harbinger of conflict and rivalry”, http://www.eastasiaforum.org/2011/01/22/americas-decline-a-harbinger-of-conflict-and-rivalry/]

This does not necessarily mean that the US is in systemic decline, but it encompasses a trend that appears to be negative and perhaps alarming. Although the US still possesses incomparable military prowess and its economy remains the world’s largest, the once seemingly indomitable chasm that separated America from anyone else is narrowing. Thus, the global distribution of power is shifting, and the inevitable result will be a world that is less peaceful, liberal and prosperous, burdened by a dearth of effective conflict regulation. Over the past two decades, no other state has had the ability to seriously challenge the US military. Under these circumstances, motivated by both opportunity and fear, many actors have bandwagoned with US hegemony and accepted a subordinate role. Canada, most of Western Europe, India, Japan, South Korea, Australia, Singapore and the Philippines have all joined the US, creating a status quo that has tended to mute great power conflicts. However, as the hegemony that drew these powers together withers, so will the pulling power behind the US alliance. The result will be an international order where power is more diffuse, American interests and influence can be more readily challenged, and conflicts or wars may be harder to avoid. As history attests, power decline and redistribution result in military confrontation. For example, in the late 19th century America’s emergence as a regional power saw it launch its first overseas war of conquest towards Spain. By the turn of the 20th century, accompanying the increase in US power and waning of British power, the American Navy had begun to challenge the notion that Britain ‘rules the waves.’ Such a notion would eventually see the US attain the status of sole guardians of the Western Hemisphere’s security to become the order-creating Leviathan shaping the international system with democracy and rule of law. Defining this US-centred system are three key characteristics: enforcement of property rights, constraints on the actions of powerful individuals and groups and some degree of equal opportunities for broad segments of society. As a result of such political stability, free markets, liberal trade and flexible financial mechanisms have appeared. And, with this, many countries have sought opportunities to enter this system, proliferating stable and cooperative relations. However, what will happen to these advances as America’s influence declines? Given that America’s authority, although sullied at times, has benefited people across much of Latin America, Central and Eastern Europe, the Balkans, as well as parts of Africa and, quite extensively, Asia, the answer to this question could affect global society in a profoundly detrimental way. Public imagination and academia have anticipated that a post-hegemonic world would return to the problems of the 1930s: regional blocs, trade conflicts and strategic rivalry. Furthermore, multilateral institutions such as the IMF, the World Bank or the WTO might give way to regional organisations. For example, Europe and East Asia would each step forward to fill the vacuum left by Washington’s withering leadership to pursue their own visions of regional political and economic orders. Free markets would become more politicised — and, well, less free — and major powers would compete for supremacy. Additionally, such power plays have historically possessed a zero-sum element. In the late 1960s and 1970s, US economic power declined relative to the rise of the Japanese and Western European economies, with the US dollar also becoming less attractive. And, as American power eroded, so did international regimes (such as the Bretton Woods System in 1973). A world without American hegemony is one where great power wars re-emerge, the liberal international system is supplanted by an authoritarian one, and trade protectionism devolves into restrictive, anti-globalisation barriers. This, at least, is one possibility we can forecast in a future that will inevitably be devoid of unrivalled US primacy.

AFF – Uniqueness

Airline Industry is stagnating – our evidence is predictive

TIM **HEPHER 6/8**/12 [writer for Reuters, “Airlines face sting in the tail from cheaper oil”, The Globe and Mail, http://www.theglobeandmail.com/report-on-business/international-business/airlines-face-sting-in-the-tail-from-cheaper-oil/article4241180/, RH]

“If the world enters an economic slump, that will be even worse for the industry than the higher fuel price was on its own,” said Mr. Tyler as heads of most of the world’s airlines flew into Beijing for a three-day annual meeting starting on Sunday. IATA, whose 240 members account for 84 per cent of world air traffic, is expected to leave its overall industry profit forecast broadly unchanged at the June 10-12 meeting. But a breakdown of the widely watched forecast is likely to reflect widening regional disparities as Europe’s debt crisis shows no signs of abating and trade shifts to the Middle East. Global airline industry profits halved in 2011 to $7.9-billion (U.S.) and are expected to halve again this year. In March, IATA predicted global airlines would make a profit of $3-billion in 2012, based on an average Brent crude price of $115. The benchmark North Sea price is now below $100. Mr. Tyler said the latest update would balance euro zone and oil price risks against the positive effect of robust traffic, which rose 7.1 per cent in the first four months of the year. A recent slump in cargo markets has meanwhile bottomed out. Airline traffic traditionally tracks the wider economy.