# Airplane DA

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#### A. UQ- U.S. Air Lines Industry fragile but will survive

Wall Street Journal, July 9, 2012 (Market Watch, “Delta Air Lines and United Continental Holdings Show Strong Gains Despite Concerns of a Global Economic Slowdown”, <http://www.marketwatch.com/story/delta-air-lines-and-united-continental-holdings-show-strong-gains-despite-concerns-of-a-global-economic-slowdown-2012-07-09>”, I.P. [July 9, 2012])

Despite growing concerns of a global economic slowdown the U.S. Airlines Industry has shown investors impressive gains this year. The Guggenheim Airline ETF (FAA) is up nearly 20 percent year-to-date, more than doubling the SPDR S&P 500 ETF (SPY) gain of 8 percent over the same period. The Paragon Report examines investing opportunities in the Airlines Industry and provides equity research on Delta Air Lines, Inc. DAL -0.82% and United Continental Holdings Inc. UAL -1.40% . The International Air Transport Association (IATA) last week reported that global airline companies posted a considerable loss in the first quarter of 2012. The IATA reported that 55 airlines across the world collectively posted a net loss of over $1 billion. The results compare with a post-tax profit of $17 million in the first quarter of 2011. The European and Asian airlines suffered the biggest losses, while U.S. airlines posted a strong profit of $518 million after posting a small loss the year prior. "The airline industry is fragile," stated Tony Tyler, IATA's director general and CEO. "Relief in oil prices provides some good news. Unfortunately, the softness in oil markets comes on the back of fears of deterioration in the European economy. Business and consumer confidence are falling. And we are seeing the first signs of that in slowing demand and softer load factors." Shares of Delta Air lines are up nearly 36 percent year-to-date. Delta's consolidated passenger unit revenue (PRASM) increased 8 percent year over year for the month of June. The company saw continued strength from corporate revenue, investments in products and services, capacity discipline and strong performance at LaGuardia Airport. United Continental Holdings for the first quarter of 2012 reported total revenues of $8.6 billion, an increase of 4.9 percent year-over-year. First-quarter consolidated passenger revenue rose 5.5 percent to $7.5 billion, compared to the same period in 2011. Shares of the company are up over 28 percent year-to-date.

#### B. Link- HSR trades off with Aviation industry

Jorritsma 09 (Peter, senior researcher at KiM Netherlands Institute for Transport Policy Analysis, “Substitution Opportunities of High Speed Train for Air Transport,” February 25, 2009, <http://www.aerlines.nl/issue_43/43_Jorritsma_AiRail_Substitution.pdf>, July 9, 2012, LG)

Introduction Competition between high-speed trains (HST) and airplanes is becoming a hot issue again nowadays. High fuel prices and the introduction of a so-called ecological surcharge in the Netherlands on airplane tickets have put pressure on airline companies, and have created new opportunities for high-speed rail transport. Eurostar recently announced it experienced a 20 per cent growth in passengers over the last six months, compared to the same period in 2007. This has been due to improved travel times between Brussels and London and between Paris and London. Eurostar did not mention whether passengers substituted from the airplane or car, nor is it clear if the growth can be attributed to a generation effect (i.e. new journeys). Airline companies have also taken a slice of the pie of high speed transport. KLM /Air France participate together with Dutch Railways in the High Speed Alliance (HSA) which operates the Thalys trains on the Amsterdam-Paris route. Passengers will be transferred from the airplane to the trains at the airline hub with their ticket booked by the airline company. Factors Influencing Substitution Many factors influence the market shares between the airplane and high-speed trains. According to the literature, travel time is the most important one. Barron (2007) reports market shares ranging from 10 percent to 97 percent for HST compared to the airplane. The HST has a clear advantage over the airplane on city pairs with travel times between two and three hours. The train can achieve market shares of between 50 and 90 percent. Good examples are city pairs such as Paris-Lyon, Madrid-Seville and Rome-Bologna. The Thalys high-speed train on the Amsterdam-Paris (4 hours) route, which is not yet in full operation, already has a market share of approximately 45 percent compared to the airplane. Other factors that contribute to the relative position of rail to air are ticket prices, frequency of the service, the integration of networks, airline alliances, accessibility of railway stations and airport terminals, reliability and punctuality of the services and government policy. In general, the ticket price for high-speed rail travel is lower than for air travel, and this difference is reflected in the market share, which is in favor of the HST. However, the rise of low cost air carriers has put pressure on overall ticket prices in the air market. On certain city pairs (i.e. LondonEdinburgh), low-cost carriers even offer tickets below the price of a train ticket. Unfortunately, hardly any research is available about the impact of low-cost carriers on the substitution rate. Eisenkopf (2006) estimates a substitution rate from rail to air ranging from 5 per cent (Cologne- Hamburg) to 13 per cent (Cologne-Munich). Travel time and travel costs to and from the airport terminal to the city center or downtown area determine the accessibility of the airport. On the route Madrid-Barcelona, the average travel time and travel costs from the city to the airport are relatively low. That is one of the reasons for the high market share of the airplane on that route. On the other hand, the highspeed train has a significant market share on the Paris-London route, despite its high ticket price. Poor accessibility of both airports by train and road is probably a factor that has a certain influence (Steer Davies Gleave, 2006). The operators of high-speed rail services find reliability and punctuality important factors that contribute to higher market shares. For example, the punctuality of the Eurostar (the share of trains with, at the most, a 15 minutes deviation from the timetable) has increased from 79 per cent since it started operations to 89 per cent today. Eurostar claims that punctuality is as important as improving travel time. Improved punctuality makes it also attractive for business travelers to plan their return journey over longer distances on the same day.

#### C. I/L- Airline industry is key to the U.S. economy

May 5 (James, President – Air Transport Association of America, FDCH, 7-13, Lexis)

Unfortunately, excessive taxes on the airline industry are crippling a vital segment of our economy. The U.S. airline industry plays a major role in driving the commerce of the United States and the growth of our national economy. An economically crippled airline industry is a drag on the national economy and ultimately will prevent it from realizing its full potential. Robust air transportation is critical to sustaining our recovery and catalyzing the next round of growth essential to our nation's economic competitiveness. As airline job losses continue to mount, and service to small- and mid- size communities is cut, it is not simply the airlines and their employees who are suffering; it is the broader economy that feels the results. Air transportation grows both the national and local economies - its absence reverses that effect.

#### D. Impact-

## Uniqueness

#### **US Airlines stable now**

Martin 2012

Hugo Martin; airlines carry the most passengers since 2008; La Times; march 22,2012; June 9, 2012; <http://articles.latimes.com/2012/mar/22/business/la-fi-mo-airline-passengers-20120322>, B1)

**U.S.-based airlines carried 730 million domestic and international passengers in 2011, the highest total since 2008**, a government report said Thursday. The latest statistics from **the U.S. Bureau of Transportation Statistics also showed that airlines flew with an average of 82.87% of all seats on domestic flights occupied in 2011, a record high** for what the industry calls the "load factor." On international flights, the load factor was 80.30% in 2011, the second highest rate for that category Combined**, the growing passenger numbers and the record domestic load factor demonstrate again that the nation's airlines are enjoying growing demand for air travel, representing a strong rebound from the industry slump during the recession.** Atlanta-based Delta Air Lines ranked as the nation's busiest carrier, serving 113.5 million domestic and international travelers, followed by Dallas-based Southwest Airlines, which carried a total of 110.6 million passengers in 2011. Hartfield-Jackson Atlanta International Airport remained the nation's busiest airport, serving 39.6 million passengers in 2011, an increase of nearly 3% over the previous year. Los Angeles International Airport was the country's fifth busiest airport, serving 22.4 million passengers, an increase of nearly 6%, according to the bureau's report.

#### Airline Industry Stable—data shows.

CFO Innovation Asia Staff July 2, 2012 (“Moody's: Stable Outlook for Global Airline Industry, Despite High Fuel Costs”, <http://www.cfoinnovation.com/content/moodys-stable-outlook-global-airline-industry-despite-high-fuel-costs>, Moody’s Analytics offer a global accreditation program that helps banks professionals meet the highest standard for financial risk proficiency, including both technical standards and ethical responsibility, I.P., [July 9, 2012])

Despite still high fuel costs and the weak economic environment, the outlook for the global airline industry is stable, says Moody's Investors Service in its latest annual outlook on the global airline industry. "High fuel costs and jitters over the global economy will limit operating profit growth for the airline industry," says Jonathan Root, a Moody's Vice President -- Senior Credit Officer. "Still, North American and Middle Eastern carriers could see some modest profit improvement as European carriers struggle with a weak environment and Asian operators face intensifying competition." Moody's industry outlooks reflect the rating agency's expectations for fundamental business conditions in the industry over the next 12 to 18 months. Moody's does not expect increases in fares as long as key benchmark Brent crude oil remains below $110 per barrel. In addition, absent any increase in demand for air travel, there's little support to boost prices, says Moody's. Slowing growth in passenger demand is likely as economic uncertainties weigh on business confidence and corporate travel budgets. Slowing growth in revenue passenger kilometers will be the norm into 2013, says Moody's. The stable outlook also incorporates Moody's expectations that airlines—despite significant deliveries of new aircraft—will maintain capacity discipline with the majority of new planes replacing less fuel efficient models.

## Links

### Trades off- nextGen

#### HSR infuriated the airline industry- trades off with NextGen funding

McCartney 10 (Scott McCartney, Travel Editor @ The Wall Street Journal, “LaHood to Airlines: Get Onboard the High-Speed Train,” March 9, 2012, <http://blogs.wsj.com/middleseat/2010/03/09/lahood-to-airlines-get-onboard-the-high-speed-train/>, July 9, 2012, LG)

The airline industry was left fuming last year when some $8 billion on federal stimulus money was appropriated for high-speed rail while air-traffic control modernization got no new funds. Airlines see high-speed trains as competition that could further erode their customer bases, and they were left befuddled how rail projects decades away could be “shovel ready’’ when the next-generation air-traffic control system that airlines say will reduce delays and boost air-travel capacity didn’t get any action from the Obama Administration. And so when Transportation Sec. Ray LaHood addressed the Federal Aviation Administration’s annual forecasting conference in Washington, D.C., the first question from the airline industry audience was about trains. Why so much for trains and not for planes? Mr. LaHood gave a politician’s answer about how important the NextGen air-traffic control modernization effort is to the Administration. Then he paused and went off-script. “Let me give you a little bit of political advice: Don’t be against high-speed rail,’’ Sec. LaHood said. “It’s coming to America. This is the president’s vision, this is the vice president’s vision, this is America’s vision…. We’re going to get into the high-speed rail business.’’ In two or three decades, Mr. LaHood said, U.S. cities will be connected by high-speed rail – whether airlines like it or not. “People want alternatives,’’ he said pointedly. “People are still going to fly, but we need alternatives. So get with the program.’’

### Trades off- other countries check

#### HSR would tradeoff with airport usage- South Korea proves

Lubin 11 (Gus Lubin, Deputy Editor @ Business Insider, “High Speed Rail Has Basically Killed A Dozen Airports In South Korea,” February 15, 2011, <http://articles.businessinsider.com/2011-02-15/news/30070638_1_high-speed-rail-joongang-daily-local-governments>, July 9, 2012, LG)

Eleven of the 14 airports managed by the Korean Airports Corporation lost money in 2009 and 2008. Several are ghost airports with no regular flights. Still more developments were suspended and never completed. KAC is now trying to sell these loss-making airports, according to JoongAng Daily, putting Cheongju Airport on the market after it lost $5.1 million in 2009. How did South Korea end up with all of these useless airports? First, local governments keep building giant infrastructure projects, including empty airports and empty office buildings. Second, airports can't compete with the new high-speed rail network, which travels from one end of the country to the other in less than three hours. This story should terrify airlines (and automakers) everywhere. And you wonder why high-speed rail gets blocked in America.

#### HSR hurts airport usage- other countries check

Fu, Zhang, and Lei, 2011 [ Xiaowen Fu, Faculty of Business, Hong Kong Polytechnic University, Hong Kong, China, Anming Zhang,b 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, December 16, 2011, <http://www.sciencedirect.com/science/article/pii/S073988591100062X>, July 9, 2012, LG)

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 MadrideSevilla line. The rail share of the whole air þ rail market increased from 21% in 1991 to 82% in 1993. In the LondoneParis 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 shortand 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 3e4 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 3e4 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

#### **HSR kills airline usage- China proves**

China Daily 11 (Tan Zongyang, economic editor @ China Daily, “High-speed rail cuts into airlines' success,” April 2,2011, <http://www.chinadaily.com.cn/bizchina/2011-04/02/content_12267268.htm>, July 9, 2012, LG)

Scheduled flights between Wuhan, Nanjing halted until September BEIJING/WUHAN - The advantages of China's high-speed railways are becoming clear since they forced air authorities to suspend flight services between two major cities. All flights linking Wuhan, the capital of Hubei province in Central China, and Nanjing, the capital of Jiangsu province in East China, have been suspended since March 27, according to the General Administration of Civil Aviation of China. The suspension will stay in place until September, when the air authority will re-evaluate the use of air services. This is the first air route halted at Wuhan's airport as the city emerges as a hub of China's expanding high-speed railway network, which had a total length of 8,358 kilometers at the end of last year. Previously, two daily flights linked Nanjing and Wuhan, about 520 km from each other, and a full price one-way ticket cost 730 yuan ($111). The intercity bullet trains, which began service in 2009, running at up to 250 km per hour, offer second-class tickets for 180 yuan. The high-speed trains have an occupancy rate of about 90 percent, outperforming the flights, which had an occupancy rate of less than 50 percent on workdays. With additional bullet train services coming in the third quarter of this year, the rail system, which has drawn international attention, is expected to consolidate its advantage. "Our flights were seriously affected after the high-speed rail lines opened," Meng Qian, deputy director of the marketing department of Lucky Air, said on Friday. The Yunnan-based budget airline was making a scheduled round trip passenger flight daily between Wuhan and Nanjing. Meng said the flight, which had been in service for five years, had been suffering big losses since 2009. Even after Lucky Air offered up to 80 percent discounts on tickets, the flights were less than half full on non-holidays, according to a previous report. China Southern Airlines had the same experience with flights it offered. Peng Guohua, 53, a Wuhan resident who made regular business trips to Nanjing, said he preferred the trains because when the amount of time traveling to and from the airports was factored in, the airliners were not much faster than the three-hour trip on the bullet trains. This is not the first time in China that high-speed rail has forced airlines to halt intercity flights. In November 2009, flights between Chongqing and Chengdu were halted after bullet trains started running. Last year, a high-speed line linking Zhengzhou and Xi'an edged out airline competitors, stirring speculation that the growth of high-speed railways would hit airlines hard. Ji Jialun, a professor of transportation at Beijing Jiaotong University, said on Friday that bullet trains currently have the advantage, with cheaper fairs, travel safety and increasingly higher speeds. "Railways will play a bigger role after more high-speed lines are added to form a network," he said. But he also said the aviation industry can find a market niche by offering long-distance trips or regional air service for more affluent passengers. "Passengers will ultimately benefit from the competition offering more options," he said. According to the Ministry of Railways, China will have a total of 12,000km of high-speed rail by 2012, the largest such network in the world.

### Trades off- Convenience

#### HSR trades off with airline use- convenience

Fu, Zhang, and Lei, 2011 [ Xiaowen Fu, Faculty of Business, Hong Kong Polytechnic University, Hong Kong, China, Anming Zhang,b 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, December 16, 2011, <http://www.sciencedirect.com/science/article/pii/S073988591100062X>, July 9, 2012, LG)

HSRs have advantage in “generalized traveling time” in shortand 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 3e4 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 3e4 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.

#### Trades off – people hate lines

de Rus 8 (Revised May 2012, Ginés, Joint Transport Research Centre @ University of Las Palmas, Internatinoal Transport Forum, "The Economic Effects of High Speed Rail Investment," <http://www.internationaltransportforum.org/jtrc/discussionpapers/dp200816.pdf>//[07.09.12]//LL)

The net user benefit of deviating a passenger from air to HSR could even be positive in the case of a longer total travel after the shift. This would be the case if the values of time of access egress and waiting time are high enough to compensate the longer `in vehicle time´. The relative advantage of HSR with respect to air transport is significantly affected by the existing differences in the values of time, and these values are no unconnected with the actual experience of waiting, queuing and passing through security control points in airports. The generalized cost of air transport is seriously penalized by security controls at airports, and this translates in more attractiveness of the HSR option. Explaining the causes of the reduction in passengers’ underlying willingness to pay for air travel it is worth looking at the change suffered by the airline product with increased security, the need to arrive earlier to airports. `Consider as an illustration the effect on air travel of required earlier arrival at airports. If passengers must now arrive at their origin airport one and a half hour earlier than previously, then, under plausible assumptions of relevant parameters, travel could decline 7 percent (a plausible range is 3 percent to 11 percent) ´ (Morrison and Winston, 2005).

### Trade off- competition

#### Airports can’t compete with HSR

Fu, Zhang, and Lei, 2011 [ Xiaowen Fu, Faculty of Business, Hong Kong Polytechnic University, Hong Kong, China, Anming Zhang,b 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

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In summary, Chinese airlines have been unable to compete with CRH on the short-/medium-haul routes even with cost-based pricing. This poses a serious challenge to Chinese airlines as their costs have been increasing. During 2005e2010 Chinese RMB appreciated by more than 20% against the US dollar, which significantly reduced Chinese carriers’ cost leadership in the international market as evidenced in Table 4. Such a currency appreciation has been a blessing overall, since Chinese airlines derive most of their revenue from domestic markets while finance majority of their fleets purchase with debt in US dollars. Goldman Sachs (2010a) estimated that for the “big three” carriers, namely Air China, China Eastern and China Southern, their RMB based sales account for 70e80% of their revenues, while non-RMB based debt account for 70e87% of their total debts. However, if Chinese airlines have to rely more on international business due to increased competition in domestic market, appreciation of RMB will work against them. In the long term, CRH may receive certain preferential treatments from the Chinese government due to its lower externality cost. INFRAS and IWW (2004) estimated the externality costs of various transport modes including air pollution, accident, climate change, noise and urban effects. Their estimation suggests that rail has much lower average externality cost than road and aviation. This may help CRH to gain some policy support in the long run, either in form of direct financial support or preferential tax/fees. Even without regulatory support, the higher energy efficiency of HSR will endow it with cost advantage compared to aviation. IATA (2007) reported that the share of fuel costs for world’s major airlines was 12e13% between 2001 and 2003, but then almost doubled as the average price of jet fuel per barrel has risen from US$ 34.7 in 2003 to US$ 81.9 in 2006. For the first time ever, fuel replaced labor as the largest single cost item for the global airline industry in 2006. Based on a sample of the financial reports of 45 major global (passenger) airlines, fuel accounted for 25.5% of total operating costs in 2006, up from 22.5% in 2005. By contrast, labor (including pension) expenses fell from 24.2% in 2005 to 23.3% in 2006. Since Chinese airlines are able to enjoy lower labor price compared to carriers in high-income markets, an increase in fuel price will have proportionally larger impacts to them. Fig. 5 compares the shares of fuel cost for the big-three Chinese airlines to major network carriers in the U.S. Although Chinese airlines began to use financial tools to hedge parts of their fuel consumption, their cost shares of fuel are consistently higher than those of their U.S. counterparts. CRH’s cost however will be far less sensitive to fuel price: in China electricity is mostly generated with coal, yet both coal price and electricity price are not totally deregulated. This together with HSR’s higher energy efficiency compared to aviation will endow CRH a cost advantage in times of high fuel price.

#### HSR puts short-haul airlines out of business

O'Toole 8 (10-31-08, Randal, senior fellow @ Cato Institute and author of *The Best-Laid Plans: How Government Planning Harms Your Quality of Life, Your Pocketbook, and Your Future*, "High-Speed Rail: The Wrong Road for America," <http://www.cato.org/pubs/pas/pa-625.pdf>//[07.09.12]//LL)

Contrary to the apparent attraction of fast downtown-to-downtown travel times, the truth is that few people live or work in downtowns anymore. As a result, even a 200-mileperhour train won’t take more than 3 or 4 percent of cars off the highways it parallels. Instead, the main effect of this heavily subsidized train will be to put struggling (and relatively unsubsidized) short-haul airlines out of business. Although the electrically powered train might be somewhatmore energy-efficient and (if the electricity does not come from fossil fuels) less polluting than airplanes, the energy and pollution cost of constructing the rail line (which will require huge amounts of fossil fuels) will be so great that it will take decades of operational savings to pay back that cost. And, soon after those decades are finally up, it will be

#### **New Infrastructure means rail competes more**

Fu, Zhang, and Lei, 2011 [ Xiaowen Fu, Faculty of Business, Hong Kong Polytechnic University, Hong Kong, China, Anming Zhang,b Sauder School of Business, University of British Columbia, Canada, Zheng Lei, Department of Air Transport, Cranfield University, UK,

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It should be noted that there is little room for airlines to lower prices further, as current fares are already close to cost. The Cost per Available Seat Kilometer (CASK) of China Southern in the first half of 2010 is about 0.48 RMB, whereas the flight operation cost excluding depreciation, maintenance, airport and ATC costs per CASK is 0.26 RMB. Even with a load factor of 85%, for service over a distance of 1000 km this translates to a total cost of 565 RMB or marginal/operational cost of 306 RMB.15 However the HSR is barely a winner. Based on the estimation in the previous section, the operational cost, interests cost and depreciation per seat amounted to 200 RMB, 260 RMB and 300 RMB respectively. The current fare of 490 RMB only covers variable costs and a proportion of fixed costs. However, once the HSR infrastructure has already been invested, market outcome will be determined largely by marginal costs. Besides, while it is relatively easy for airlines to re-deploy their fleets, rail operator faces great exit barrier and thus would continue to compete aggressively so long as price is larger than marginal cost. With current cost structure, airlines can barely compete on this route for point-to-point travelers.

#### Link-HSR hurts Airlines

KE 2011 (Kendra KE; Chinas HSR hurting airlines?; China business news; June 15, 2011; June 9,2012; <http://www.asianinfrastructure.com/news/newshigh-speed-rail-hurts-airlines/>, B1

**It was always going to be a catch-22 situation. The benefits of high-speed rail are that it's a cheaper, faster and more eco-friendly way to travel around countries - but the knock on effect is a hit to any transnational air company.** **That is what is happening in China and the moment, and if America is to go ahead with their** [**high-speed plans**](http://www.asianinfrastructure.com/news/newswhat-makes-chinas-trains-so-fast/) **they will have to take note. According to BusinessWeek, "China Southern Airlines Co., the nation’s largest carrier, and Air China Ltd. are slashing prices to compete with the country’s new high-speed trains in a battle that Europe’s airlines have largely already ceded.** Competition from trains that can travel at 350 kilometers per hour (217 miles per hour) is forcing the carriers to cut prices as much as 80 percent at a time when they are already in a round of mergers to lower costs. **Passengers choosing railways over airlines will also erode a market that Boeing Co. and Airbus SAS are banking on to provide about 13 percent of plane sales over the next 20 years."** Rail Vs. Air It would appear that when it comes to trips that are under less than 800km, high-speed rail trump airlines every-time forcing Chinese them to slash prices. The main route from [Guangzhou and Changsha](http://www.asianinfrastructure.com/news/newsfastest-train-in-the-world/) that once took nine hours by train now takes two and a half leaving commuters with a much more appealing form of travel. As a result, China Southern have cut economy-class tickets to 140 yuan (US$21) from 700 yuan on flights between Guangzhou and Changshain order to try and claw back some customers. “The high-speed train is invincible on this route,” said Tom Lin, 30, a civil servant in Guangzhou, who opted to travel by rail. “There’s no doubt it’s more convenient for trips to the cities along the line. **Airlines can’t compete with trains for the spacious seats.”** It would seem that the benefits are clear and other countries are rapidly getting on board - the [US high-speed rail plans](http://www.americainfra.com/news/californias-high-speed-rail-fund/)have been gaining traction in recent months with the Florida and California's schemes receiving $3 billion each to start the project. But what will this mean for American Airline's 'red-eye' flights? In Europe, **where high-speed lines have seen great success, the likes of Air France and Lufthansa have had to drastically cut prices or drop the route altogether.** In 2002, as the Paris-to-Brussels route became faster, Air France SA dropped its five daily services between the two cities as did Deutsche Lufthansa AG and Germanwings when the Paris to Stuttgart route after rail travel got faster. It seems that the world over is seeing the benefits of high-speed rail and local airlines may have to rapidly start rethinking their strategies if they are to survive in such a competitive market.

#### **HSR would cut into airline customers**

The National 10 [Daniel Bardsley, Foreign Correspondent, “Full throttle on high-speed rail,” March 20,, 2010, <http://www.thenational.ae/business/full-throttle-on-high-speed-rail>, July 9, 2012, LG)

The high-speed train sways gently as it pulls out of the Chinese capital Beijing and picks up speed as it heads to Tianjin. Passengers are settled in their airline-style seats, some sipping from the free bottles of Tibet Spring mineral water, as the train heads south-east. The interior is spotless and the seats offer plenty of room. But this Sunday evening service is busy with people returning home after a weekend in the capital, so many have to stand. Some read books and magazines as the red digital display shows that the sleek train with the ungainly name CRH3, for China Railway High-Speed 3, has reached a speed of 325kph. "It's very fast and very comfortable," says Zheng Meng Zhou, 24, an oil rig worker travelling on to the coastal town of Tanggu after a weekend in Beijing. "From Beijing to Tianjin it took about one hour 15 minutes [before], but now it's very fast. It's very safe and very steady." Almost exactly 30 minutes after setting off from Beijing South Railway Station, the white train completes its 117km journey and comes to a halt in the city known as the Shanghai of the North for its European architecture. China already has 3,676km of railway line capable of taking trains at speeds of up to 350kph, and a further 2,876km that can be used by trains running at speeds of at least 200kph to 250kph. Although some trains already in operation can travel as fast as 350kph and maintain average speeds of 310kph, things are set to get even faster. The flagship high-speed line between the capital Beijing and the booming financial centre of Shanghai is due to open next year with trains that will hurtle along at 380kph. Last year the country invested 600 billion yuan (Dh322.6bn) on railway construction and the government has indicated spending will be even greater this year. As a result, between now and the end of 2012, 26,000km of railways are due to be built, of which more than 9,000km will be for high-speed trains. The cost of these new lines has been put at 900bn yuan. By 2020, plans are for 25,000km, thanks to US$300bn (Dh1.1 trillion) of investment. China's ministry of railways is prepared to pump in this much money despite global difficulties that high-speed railways have had in making a profit. Manop Sangiambut, the head of China research for the equity brokers and financial research company CLSA, said the authorities were considering a bigger picture than the economics of individual projects. "When you can travel between Beijing and Shanghai, that will save a lot of economic cost," he says. "These projects will need some government subsidy to make them feasible. Overall, high-speed railway does provide lots of benefits to the economy." China's latest high-speed rail line opened in December, linking the industrial city of Wuhan on the Yangtze River with the booming southern metropolis of Guangzhou. The Harmony Express has cut the time for the 1,000km rail journey to three hours from as many as 11 hours before. A local official described its effect on building economic ties as "immeasurable". China is not the only convert to the benefits of high-speed railways. In the years to come, UAE passengers could be stepping on board and enjoying the view as their carriages hurtle through the desert at 350kph. In December, the GCC states endorsed the building of a 2,200km line between Kuwait and Oman and engineers are now considering upgrading their plans to run high-speed trains. If the speed is increased from 200kph to 350kph, the cost would jump from $15bn to $25bn. With the considerable investment required, the director of the GCC's transportation department, Ebrahim al Sabti, admits that the line, due to open in 2017, would be unlikely to make money. But the benefits in reduced pollution, accidents and road maintenance could make the cost worthwhile, he says. When they decide, the GCC states will no doubt be mindful of the experiences of China, where super-fast railways have not always enjoyed a smooth ride. The train that runs between Shanghai Pudong International Airport and the city centre uses magnetic levitation technology (maglev) for support and power, and that technology has generated concerns among those living nearby over the effects of electromagnetic radiation. As well, China has had difficulty in persuading the German owners of the maglev technology to transfer it. As a result, plans to extend the line appeared to be marooned in the siding until the National People's Congress recently approved a multibillion-dollar project to link Shanghai and the city of Hangzhou by maglev. In other cases, the Chinese have arranged the transfer of high-speed train technology from foreign companies. The Harmony Express trains, for example, are built in China using German and Japanese technology. The proposals have been criticised by those who feel extending the maglev line at a cost of 22bn yuan is unnecessary. China is also looking to become involved in high-speed rail overseas. It's perhaps no small irony that Chinese companies are likely to bid for contracts to build high-speed railways in California. And Chinese companies are also eyeing rail projects in Russia and Brazil. Closer to home, the China Railway Construction Corporation last year secured part of a $1.8bn contract to build a high-speed line between Jeddah, Mecca and Medina in Saudi Arabia. China has even revealed ambitious proposals to link Beijing and London by high-speed trains over the next decade. The journey is projected to take two days. While high-speed trains may be popular with passengers, they can cause turbulence to the airline industry. The rolling stock may not be as fast as an aircraft, but as the trains run directly into city centres they can be more attractive than flying, even for business travellers. No wonder then that airlines have cut prices to stay competitive. China Southern Airlines used to charge a reported 700 yuan to fly between Guangzhou and Changsha, which lies on the line to Wuhan. This month, passengers could buy tickets online from the carrier for as little as 170 yuan. In Europe, airlines have dropped some routes between major cities altogether as a result of competition from high-speed railways. Mr Sangiambut believes China's airlines will be put further on the back foot by new train routes. Flights of less than two hours, he says, would be "very much impacted" if high-speed trains start operating the same route. "They will come under pressure when these high-speed networks become more fully operational," he says. "I don't think they will be closed entirely, but frequency could be reduced." The price of a Beijing-Shanghai high-speed train ticket has not been announced yet, but Mr Sangiambut says the ministry of railways will ensure it is "rather competitive" with flying. As a result, he thinks the Beijing-to-Shanghai air route will suffer when the high-speed rail line opens and cuts the rail trip from 10 hours to four hours. "There will be some impact for sure," he says

## Internal Links

### Internal Link- key to economy

#### Passenger airline key to US economy

GAO 9 (Government Accountability Office, "Airline Industry Contraction Due to Volatile Fuel Prices and Falling Demand Affects Airports, Passengers, and Federal Government Revenues," <http://www.gao.gov/assets/290/288650.pdf>//[07.09.12]//LL)

The U.S. passenger airline industry is vital to the U.S. economy. Airlines directly generate billions of dollars in revenues each year, catalyze economic growth, and influence the quality of peoples’ lives around the globe. Communities, both large and small, depend on airlines to help connect them to the national transportation system which links economies and promotes the exchange of people, products, and ideas. The downturn in the airline industry that followed the terrorist attacks of September 11, 2001, adversely affected passengers, employees, suppliers, and communities. While U.S. airlines eventually rebounded from that downturn, 2008 presented fresh challenges to the industry in the form of record-high fuel prices and an economic recession. During the first half of 2008, seven smaller U.S. passenger airlines liquidated.

#### US airline industry key to the US economy

GAIP 8 (11-16-08, MIT Global Airline Industry Program "Airline Industry Overview," <http://web.mit.edu/airlines/analysis/analysis_airline_industry.html>//[07.09.12]//LL)

In the US airline industry, approximately 100 certificated passenger airlines operate over 11 million flight departures per year, and carry over one-third of the world’s total air traffic – US airlines enplaned 745 million passengers in 2006. US airlines reported over $160 billion in total revenues, with approximately 545,000 employees and over 8,000 aircraft operating 31,000 flights per day [2]. The economic impacts of the airline industry range from its direct effects on airline employment, company profitability and net worth to the less direct but very important effects on the aircraft manufacturing industry, airports, and tourism industries, not to mention the economic impact on virtually every other industry that the ability to travel by air generates. Commercial aviation contributes 8 percent of the US Gross Domestic Product, according to recent estimates [3]. The economic importance of the airline industry and, in turn, its repercussions for aircraft manufacturers, makes the volatility of airline profits and their dependence on good economic conditions a serious concern for both industries. This concern has grown dramatically since airline deregulation, as stable profits and/or government assistance were the rule rather than the exception for most international airlines prior to the 1980s. As shown in Figure 1, the total net profits of world airlines have shown tremendous volatility over the past 15 years. After the world airline industry posted 4 consecutive years of losses totaling over $22 billion from 1990 to 1993, as a result of the Gulf War and subsequent economic recession, it returned to record profitability in the late 1990s, with total net profits in excess of $25 billion being reported by world airlines from 1995 to 1999. Even more dramatic was the industry’s plunge into record operating losses and a financial crisis between 2000 and 2005, with cumulative net losses of $40 billion.

#### Civilian Aviation key to the economy

FAA 11 (U.S Department of Transportation Federal Aviation Administration, “The Economic Impact

of Civil Aviation on the U.S. Economy,” http://www.faa.gov/air\_traffic/publications/media/FAA\_Economic\_Impact\_Rpt\_2011.pdf, July 9, 2012. LG)

The civil air transport industry has a crucial role in fostering trade and making any place on the globe easily and quickly accessible. U.S. industry and consumers depend on the vital services of air transportation, which continue to maintain and vitalize the U.S. economy. • In 2009, air carriers operating in U.S. airspace transported 793 million passengers over 1,039.3 billion revenue passenger miles (RPM). • More than 53 billion revenue ton-miles (RTM) of scheduled freight passed through U.S. airports in 2009.1 • The U.S. civil aviation manufacturing industry continues to be the top U.S. net exporter. According to 2009 data from the U.S. International Trade Commission (USITC), the U.S. civil aviation manufacturing industry supported a positive trade balance of over $75 billion. Overview • New research using data from 2008 shows that air transportation enables economic activity in other sectors of the economy through: -- Air-traveler spending of $249.2 billion on goods and services -- Freight valued at $562.1 billion transported domestically or to other countries • The Federal Aviation Administration (FAA) spent more than $14 billion on air traffic operations, facilities and equipment, and grants in 2008 to support the National Airspace System (NAS). These expenditures supported additional spending in the economy totaling $26.2 billion and nearly 218,000 jobs with earnings of $8.3 billion.

Economic Survival During Uncertainty… Even during tough times, the efficiency of our air transport network serves commerce and supports jobs that maintain and revitalize the strength of the U.S. economy. Today, despite the lingering effects of the recent recession, there is cautious optimism in the air transport sector of the U.S. economy.2 The industry continues to be flexible, developing new, innovative ways to lower costs and increase revenues. • For example, as the price of jet fuel climbs, air carriers are finding innovative ways to conserve fuel and lower costs by: replacing old, heavy drink carts with new lighter versions, removing seat back telephones, installing lighter seats and TV monitors, applying new coating on airframes to improve airflow, and purchasing more tugs to reduce engine fuel use.3 • Investment in air transportation infrastructure leads to smart growth and job creation. The American Recovery and Reinvestment Act of 2009 provided funding to invest $200 million in FAA facilities and equipment and $1.1 billion in grants-in-aid for airports. • The 2011 FAA Aerospace Forecast expects a 4.9 percent increase in RPM between fiscal years 2010 and 2011, and projects average annual growth rates of 3.8 percent per year through 2031 for U.S. airlines. Sustaining Economic Development and Growth… From live traffic reports sent from helicopters to justintime delivery of life saving organs for transplant, civil aviation has become an integral part of the U.S. lifestyle and commerce. In challenging economic times, the services that air transportation provides are essential among the building blocks for recovery and economic growth. The financial crisis and ensuing recent recession affected the whole world. Global real GDP growth slowed from 3.9 percent to 1.6 percent between 2007 and 2008,4 while real GDP growth in the U.S. dropped from 1.9 to zero percent during the same period.5 Although June 2009 marked the end of the recent recession in the United States, real GDP growth fell by 2.6 percent by the end of 2009 and unemployment rates reached double digits. However, despite the dramatic slowdown of the economy and impact on the aviation industry, the U.S. economy produced $14.1 trillion in value-added economic activity and sustained 140 million jobs.6 At the same time, civil aviation economic activity: • Supported 10.2 million jobs • Contributed $1.3 trillion in total economic activity • Accounted for 5.2 percent of total U.S

## Boeing DA

### 1NC shell

#### A. UQ- Boeing doing well and will continue to grow.

Cole, July 4th, 2012 (Elizabeth,” Boeing forecasts strong demand from airlines”, <http://www.comparecarhire.co.uk/news/boeing-forecasts-strong-demand-from-airlines-53853489.html>, I.P., [July 9, 2012])

US planemaker Boeing is predicting that there will be strong demand for passenger jets over the next two decades. The manufacturer said it expects airlines around the world to spend $4.5 trillion on new aircraft over the coming 20 years and said that much of this demand is likely to come from the emerging markets such as India and China. Boeing said 34,000 new planes will be sold, around a third of which will be taken by airlines in the Asia-Pacific region. The next biggest markets will be Europe and the US. Many airlines have been struggling recently against the high cost of jet fuel, a fragile global economy and a drop in demand for air travel. However, Boeing is confident that the industry is resilient predicting that there will be an annual five percent growth in airline traffic over the next twenty tears. The company said that cargo traffic is likely to grow at an even faster rate. Airlines are also likely to get rid of planes which guzzle fuel replacing them with more efficient models made from lighter materials. Boeing forecast that 41 per cent of the new deliveries made will be to replace retired fleets. Randy Tinseth, Boeing Commercial Airplanes’ marketing vice president, said that the global aviation market was currently deeper, broader and more diverse than it has ever been. He added that the industry had managed to survive during some extremely testing times and that the emerging markets would play a major role in the growth of plane manufacturing over the next two decades.

#### B. Link- High speed rail will kill the aviation industry and Boeing- China and Europe prove

Bloomberg 10, (financial magazine),” ‘Invincible’ High-Speed Trains Steal China Southern’s Customers”, <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aH_iVz7ir970&pos=7> AP

Feb. 10 (Bloomberg) -- [China Southern Airlines Co.](http://www.bloomberg.com/apps/quote?ticker=1055:HK), **the nation’s largest carrier,** and [Air China Ltd.](http://www.bloomberg.com/apps/quote?ticker=601111:CH) are **slashing prices to compete with the country’s new high-speed trains in a battle that Europe’s airlines have largely already ceded.** Competition from trains that can travel at 350 kilometers per hour (217 miles per hour) is forcing the carriers to cut prices as much as 80 percent at a time when they are already in a round of mergers to lower [costs](http://www.bloomberg.com/apps/quote?ticker=1055:HK). **Passengers choosing railways over airlines will also erode** a market that **Boeing Co.** and Airbus SAS are banking on to provide about 13 percent of plane sales over the next 20 years. “**There’s no doubt that high-speed rail will defeat airlines on all the routes of less than 800 kilometers,”** said Citigroup Inc. analyst [Ally Ma](http://search.bloomberg.com/search?q=Ally+Ma&site=wnews&client=wnews&proxystylesheet=wnews&output=xml_no_dtd&ie=UTF-8&oe=UTF-8&filter=p&getfields=wnnis&sort=date:D:S:d1). “The airlines must get themselves in shape, increase their profitability and improve the network.” China Southern cut economy-class tickets to 140 yuan ($21) from 700 yuan on flights between Guangzhou and Changsha after a high-speed train started on the route in December. The trip now takes 2 1/2 hours by train instead of 9. “**The high-speed train is invincible on this route**,” said Tom Lin, 30, a civil servant in Guangzhou, who opted to travel by rail. “There’s no doubt it’s more convenient for trips to the cities along the line. Airlines can’t compete with trains for the spacious seats.” **In Europe, when train routes have been cut to three hours or under by the introduction of high-speed lines, airlines have either seen their share slashed or quit flying the route altogether.** In 2002, as the Paris-to-Brussels route became faster, Air France SA dropped its five daily services between the two cities. [Deutsche Lufthansa AG](http://www.bloomberg.com/apps/quote?ticker=LHA:GY) and Germanwings quit the Paris to Stuttgart route after rail travel got faster.

#### Boeing key to economy- largest exporter and lots of jobs

Isidore 2008,(CNN money senior writer),” Boeing strike another hit to economy”, <http://money.cnn.com/2008/09/12/news/economy/boeing_impact/index.htm> AP

NEW YORK (CNNMoney.com) -- **Strong sales at Boeing had made aerospace a bright spot in a weak economy**. But all that is on hold as Boeing workers prepare for a long strike. A week ago, **there was one sector of the battered U.S. economy that was performing particularly well - aerospace manufacturing.** But the **strike at Boein**g ([BA](http://money.cnn.com/quote/quote.html?symb=BA&source=story_quote_link), [Fortune 500](http://money.cnn.com/magazines/fortune/fortune500/2008/snapshots/59.html?source=story_f500_link)) by the International Association of Machinists has changed that. With the dominant company in the field ground to a halt, the aerospace business has at least temporarily joined autos, home construction, airlines and financial services as industries **acting as a drag on the overall economy.** Still, the strike is more bad news for a weakening labor market. Employers have cut more than 600,000 jobs so far this year and the unemployment rose to a five-year high of 6.1% in August. **Boeing, however, reported a net gain of 4,700 employees in the first six months and the BCA unit had been adding more than than 55 people a week so far this year.** It is so eager to hire workers, Boeing spokesman Tim Healy said the company has continued to hire during the strike, even though the new employees are given the option to immediately join the strike."**They're at record production rates**," said union spokeswoman Connie Kelliher. "They can not hire enough people. Things have never been better for this company and the members know that."Michael Helmar, a senior economist at Moody's Economy.com, estimates that **175,000 people have jobs that depend upon Boeing being in business**. Many are already being put on temporary layoffs or having their hours severely cut.Spirit AeroSystems Holdings ([SPR](http://money.cnn.com/quote/quote.html?symb=SPR&source=story_quote_link)), a Wichita, KS, supplier that was spun off from Boeing three years ago, has cut its work week to three days and reduced pay for most of its 10,500 workers at its main facility. Layoffs loom if there isn't a quick resolution, said Spirit spokeswoman Debbie Gann. **The Machinists also represent about 6,000 workers at Spirit, and another 550 workers at Triumph Composite Systems, another Boeing spin-off which produces air ducts and composite floors for the company. Triumph has laid off about 250 of those workers already and is poised to lay off about 100 more** if the strike doesn't end by Sept. 21, according to the company.Larger suppliers are also likely to have their operations disrupted. Pratt & Whitney, a unit **of United Technologies (**[**UTX**](http://money.cnn.com/quote/quote.html?symb=UTX&source=story_quote_link)**,** [**Fortune 500**](http://money.cnn.com/magazines/fortune/fortune500/2008/snapshots/421.html?source=story_f500_link)**), sells about 6% of its jet engines to Boeing, while General Electric (**[**GE**](http://money.cnn.com/quote/quote.html?symb=GE&source=story_quote_link)**,** [**Fortune 500**](http://money.cnn.com/magazines/fortune/fortune500/2008/snapshots/170.html?source=story_f500_link)**) has ties to Boeing through its jet engine and aircraft leasing business.** While the Labor Department will continue to count the 27,000 Boeing strikers as employed, the indirect job cuts will show up in the monthly employment readings as soon as next month when the September report is released. **Another major economic impact could be on the nation's trade balance.** Boeing, **the nation's largest exporter,** has only 10% of its orders backlog from U.S. airlines. And commercial aircraft and aircraft parts, the **segments that Boeing dominates, are one of the key export sectors of the economy.** Commercial aircraft exports were worth $29 billion in the first seven months of this year, up 10% from a year ago, while parts were up 11% to $12 billion, according to government figures. Together, they represent 5% of all the goods exported.

### **Links**

#### HSR hurts Airlines

KE 2011 (Kendra KE; Chinas HSR hurting airlines?; China business news; June 15, 2011; June 9,2012; <http://www.asianinfrastructure.com/news/newshigh-speed-rail-hurts-airlines/>, B1

**It was always going to be a catch-22 situation. The benefits of high-speed rail are that it's a cheaper, faster and more eco-friendly way to travel around countries - but the knock on effect is a hit to any transnational air company.** **That is what is happening in China and the moment, and if America is to go ahead with their** [**high-speed plans**](http://www.asianinfrastructure.com/news/newswhat-makes-chinas-trains-so-fast/) **they will have to take note. According to BusinessWeek, "China Southern Airlines Co., the nation’s largest carrier, and Air China Ltd. are slashing prices to compete with the country’s new high-speed trains in a battle that Europe’s airlines have largely already ceded.** Competition from trains that can travel at 350 kilometers per hour (217 miles per hour) is forcing the carriers to cut prices as much as 80 percent at a time when they are already in a round of mergers to lower costs. **Passengers choosing railways over airlines will also erode a market that Boeing Co. and Airbus SAS are banking on to provide about 13 percent of plane sales over the next 20 years."** Rail Vs. Air It would appear that when it comes to trips that are under less than 800km, high-speed rail trump airlines every-time forcing Chinese them to slash prices. The main route from [Guangzhou and Changsha](http://www.asianinfrastructure.com/news/newsfastest-train-in-the-world/) that once took nine hours by train now takes two and a half leaving commuters with a much more appealing form of travel. As a result, China Southern have cut economy-class tickets to 140 yuan (US$21) from 700 yuan on flights between Guangzhou and Changshain order to try and claw back some customers. “The high-speed train is invincible on this route,” said Tom Lin, 30, a civil servant in Guangzhou, who opted to travel by rail. “There’s no doubt it’s more convenient for trips to the cities along the line. **Airlines can’t compete with trains for the spacious seats.”** It would seem that the benefits are clear and other countries are rapidly getting on board - the [US high-speed rail plans](http://www.americainfra.com/news/californias-high-speed-rail-fund/)have been gaining traction in recent months with the Florida and California's schemes receiving $3 billion each to start the project. But what will this mean for American Airline's 'red-eye' flights? In Europe, **where high-speed lines have seen great success, the likes of Air France and Lufthansa have had to drastically cut prices or drop the route altogether.** In 2002, as the Paris-to-Brussels route became faster, Air France SA dropped its five daily services between the two cities as did Deutsche Lufthansa AG and Germanwings when the Paris to Stuttgart route after rail travel got faster. It seems that the world over is seeing the benefits of high-speed rail and local airlines may have to rapidly start rethinking their strategies if they are to survive in such a competitive market.

### Internal Link- economy

#### **Boeing’s aviation contributes trillions to the GDP**

Tinseth 2009 (vice president, marketing for Boeing Commercial Airplanes in Seattle.), “3.5 trillion dollar economic impact”, <http://boeingblogs.com/randy/archives/2009/01/post.html> AP

As I’ve said before**, there are more questions than answers right now in this challenging economy.** But one thing is clear. **Aviation will continue to be vital. Air transport benefits the social and economic fabric of the world.**

That’s not going to change, even as we work through this difficult downturn. We’ve mentioned the [Air Transport Action Group](http://www.atag.org/) (ATAG) here in the blog recently. Toward the end of last year they published an informative updated report called “[The economic and social benefits of air transport](http://www.atag.org/files/ATAG%20brochure-124015A.pdf).” (1.2MB pdf) The report found that: The air transport **industry generates 32 million jobs global**ly **The value of all goods transported by air represents 35% of all international trade Aviation’s global economic impact is valued at more than $3.5 trillion,** or 7.5% of the world’s total GDP Aviation transports more than 2.2 billion passengers a year The ATAG report offers a thorough analysis, pointing out that the **industry’s most important economic contribution is “through its impact on the performance of other industries and as a facilitator of their growth.**” For example, helping countries expand their access to international markets, enhancing tourism, and improving productivity by attracting investment and encouraging innovation in locations that have good air transport links. Air transport also has social benefits. **Delivering essential services and supplies to remote areas, and providing humanitarian assistance in the wake of natural disasters would be difficult without air transport.** The bottom line is, we’re in a difficult economic environment right now, and it’s affecting aviation as it is all other sectors. But our **industry is - and will remain - crucial to just about everything that makes our world what it is today.** By the way, if you like our flights in progress video linked above, also click on the [screensaver](http://www.staralliance.com/en/travellers/tools_services/screensaver.html) Star Alliance makes available on their site.

### Internal link- military

#### Boeing has been critical to the US military for over 60 years

Cohen 12 (Seattle Pi staff writer), “Boeing B-52 celebrates 60 years in the air”, <http://www.seattlepi.com/business/boeing/article/Boeing-B-52-celebrates-60-years-in-the-air-3477983.php> AP

**In 1946, the U.S. Army Air Forces approved Boeing's design for a straight-wing, six-engine, propeller-powered heavy bomber. Two years later, the new U.S. Air Force said to make it a jet plane.** The B-52 Stratofortress first flew on April 15, 1952. Six**ty years later, it is still in service,** making it the country's **longest-serving bomber ever**. Global Strike Command noted that some families have seen three generations of airmen serve on the B-52.To mark the anniversary, [Air Force Global Strike Command has planned events](http://www.afgsc.af.mil/news/story.asp?id=123297470) centered on the theme: "The B-52: An Icon of American Airpower." This starts with commemorating the first flight with a long-duration flight from Global Strike Command Headquarters at [Barksdale](http://www.barksdale.af.mil/), La.The B-52 was the **country's first long-range, swept-wing heavy bomber. It initially served as an intercontinental, high-altitude nuclear bomber. Early in its career, the B-52 cut the around-the-world speed record in half.** In January 1962, it flew 12,500 miles nonstop from Japan to Spain without refueling, breaking 11 distance and speed records.New variants boosted the B-52's power, range and capability, culminating with the B-52H, which first flew on March 6, 1961 and has seen upgrades to various systems over the ensuing decades. The B-52H is 159 feet long and 40 feet high, with a wingspan of 185 feet, weight of 185,000 pounds (488,000 pounds at maximum takeoff weight), top speed of 650 mph, ceiling of 50,000 feet and combat range beyond 8,800 miles, using eight 17,000-pound-thrust engines. It can carry 70,000 pounds of payload internally and on external pylons.B-52s have **seen active duty over Vietnam, Iraq, Kosovo and Afghanistan. They delivered 40 percent of all the weapons** dropped by coalition forces during operation Desert Storm, in 1991. According to the Air Force, B-52s **can perform strategic attack, close-air support, air interdiction and offensive counter-air and maritime operations, including ocean surveillance.** The B-52 "**will continue into the 21st century as an important element of our nation's defenses**," [according to the Air Force](http://www.af.mil/information/factsheets/factsheet.asp?id=83). "Current engineering analyses show the B-52's life span to extend beyond the year 2040." Which is just as well, given that, as [Flightglobal's Dave Majumdar put it](http://www.flightglobal.com/blogs/the-dewline/2012/04/us-air-force-to-commemorate-th.html): "The B-52 **has outlived all of its would-be replacements."**

#### Boeing is critical to the military- key planes prove

Phelps 09, (Michael Phelps earned a B.A in history from the University of Connecticut and an M.A. in military history from Norwich University. He recently researched, wrote and self-published a book about the ongoing war on terrorism), “Boeing helps U.S. military master the globe**”** [**http://www.examiner.com/article/boeing-helps-u-s-military-master-the-globe**](http://www.examiner.com/article/boeing-helps-u-s-military-master-the-globe) **AP**

**The Boeing Company** has facilities in Huntington Beach, Seal Beach and Long Beach.  At its final assembly plant in Long Beach new C-17s role out of the hangar ready for service.  On 28 October Boeing delivered the 190th C-17 to the U.S. Air Force.  The cargo plane is the last  jet  built in California. Known as the **Globemaster, the C-17 is a hulking cargo plan agile enough to land on short, dirt runways like the ones often found in Afghanistan.**  Cargo planes may not be as sexy as their fighter jet siblings bristling with missiles, but **these work horses are just as vital to a war effort. In infrastructure starved regions successful operations hinge as much on the ability to deliver supplies to remote areas as the ability to deliver fire power.** Globemasters saw action in Afghanistan in October 2001 when several **were used for an airborne operation to drop Army Rangers onto an air field in Southern Afghanistan**.  Known as objective RHINO, the airfield was taken from Taliban and al-Qaeda fighters.

## AFF Answers

#### Non- unique – Cuts Inevitable

Brooke Thorpe July 9, 2012

<http://www.americainfra.com/news/Boeing-job-cuts-hit-airline-industry/> (Ali?)

Airline carrier [US airways](http://edition.cnn.com/2009/US/07/14/usairways.jobs/index.html) announced 600 job cuts due to the economic crisis and today Boeing - the world's largest jet manufacturer - announced the company would be reduced by another 1000 jobs. This is the latest job slashing session in the aerospace industry since companies hit hard times due to the recession. National Aeronautic and Space Administration (NASA) also reported today it would cut [400 jobs](http://edition.cnn.com/2009/US/07/14/space.shuttle.layoffs/index.html) starting in October 2009. A spokesperson for United Space Alliance - NASA's contractor for the space shuttle, Jeff Carr, told CNN news most of the cuts will be volunteer space employees - mainly from Florida crews. But the notification about the job cuts was sent to all the workers at the Space Shuttle hub. Mr Carr also said United Space Alliance will be looking for new business in the space industry to compensate for these job losses. But the news of 1000 job cuts at the giant aerospace company Boeing will most affect the entire industry. According to a memo to employees management had to lose employees because the Pentagon was scrimping on its funding to the commercial airplane company. The cuts will be from its Integrated Defense Systems department. The company had already announced in January 10,000 cuts would be made overall this year. The aerospace industry has been battered this year by a number of job cuts across airlines, air carriers and airplane manufacturers. In January United Airlines cut 1000 jobs to reduce overhead costs and earlier this month Virgin Atlantic announced 600 job cuts after reducing its winter capacity by seven per cent. [American Airlines](http://www.nytimes.com/2008/07/03/business/worldbusiness/03iht-03air.14185863.html?_r=2) announced 7000 job cuts by the end of the year last fortnight and UK airline company British Airways announced 500 job cuts in April.

#### HSR helps airline profitability

Rosenthal 10 (John, Washington Post, "U.S. high-speed rail's ship finally comes in," <http://www.washingtonpost.com/wp-dyn/content/article/2010/04/22/AR2010042205923.html>//[07.09.12]//LL)

Even the fastest trains will never approach the efficiency of an airplane for a cross-country trip, of course. That's why the administration's plan focuses only on corridors between cities 100 to 600 miles apart. In clusters of cities such as Cleveland, Columbus and Cincinnati; Portland, Ore., and Seattle; or Charlotte, Richmond and Washington, rail links are expected to reduce congestion both on the highways and in the skies. The corridors will be separate from [Amtrak](http://www.amtrak.com/servlet/ContentServer?pagename=Amtrak/HomePage), the nation's existing conventional rail passenger system, though Amtrak may bid competitively to build some of the networks. The airlines have not taken a position on rail investment, but Joseph Szabo, head of the Department of Transportation's [Federal Railroad Administration](http://www.fra.dot.gov/), said that they have nothing to fear. "If we do this properly, people will be able to flow from auto to rail to air like they do in Europe or Asia, using the most efficient mode for each part of the journey," he said. "That will help airlines prosper because it will free up capacity to use their infrastructure in ways that are more profitable." RePass cautioned that transforming the nation's transportation system into something like the European model will resemble a local more than an express. "We've spent half a century disinvesting in rail; we're not going to overcome that overnight."

#### Shift from airports solve terrorism

<a little power-tagged>

Will 1 (10-1-1, George, contributor @ Jewish World Review, "Getting serious about our solutions," <http://www.jewishworldreview.com/cols/will100101.asp>//[07.09.12]//LL)

Third, build high-speed rail service. Two months ago this columnist wrote: "A government study concludes that for trips of 500 miles or less -- a majority of flights; 40 percent are of 300 miles or less -- automotive travel is as fast or faster than air travel, door to door. Columnist Robert Kuttner sensibly says that fact strengthens the case for high-speed trains. If such trains replaced air shuttles in the Boston-New York-Washington corridor, Kuttner says that would free about 60 takeoff and landing slots per hour." Thinning air traffic in the Boston-New York-Washington air corridor has acquired new urgency. Read Malcolm Gladwell's New Yorker essay on the deadly dialectic between the technological advances in making air travel safer and the adaptations to these advances by terrorists. "Airport-security measures," writes Gladwell, "have simply chased out the amateurs and left the clever and the audacious." This is why, although the number of terrorist attacks has been falling for many years, fatalities from hijackings and bombings have increased. As an Israeli terrorism expert says, "the history of attacks on commercial aviation reveals that new terrorist methods of attack have virtually never been foreseen by security authorities." The lesson to be learned is not defeatism. Security improvements can steadily complicate terrorists' tasks and increase the likelihood of defeating them on the ground. However, shifting more travelers away from the busiest airports to trains would reduce the number of flights that have to be protected and the number of sensitive judgments that have to be made, on the spot, quickly, about individual travelers. Congress should not adjourn without funding the nine-state Midwest Regional Rail Initiative.