Oil-Fueled Catastrophe in the Airline Industry Would Cripple U.S. Economy and Eliminate American Jobs

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The skyrocketing price of aviation fuel will have devastating implications far beyond new surcharges for checked bags and in-flight beverage services according to a new study prepared by the Business Travel Coalition (BTC).

Not only are U.S. airlines and their passengers facing their darkest future, but fast-approaching airline liquidations will cripple the U.S. economy that depends on affordable, frequent intercity air transportation.

Massive job losses, supply chain disruption, declining business activity, shrinking tax revenues, weakened American competitiveness, devastated communities, and reduced tourism are just some of the predictable results from airline liquidations that could happen as early as the second half of 2008 as a direct result of unsustainable fuel prices.

The paper, "Beyond the Airlines’ $2 Can of Coke: Catastrophic Impact on the U.S. Economy from Oil-price Trauma in the Airline Industry," expands on the analysis released on June 13, 2008 by AirlineForecasts, LLC and BTC and points to the real news about the airlines’ fuel problems: how multiple liquidations at legacy U.S. airlines -- now a serious possibility -- would have a wide-ranging impact on many facets of the U.S. economy. The report will be presented and discussed during a U.S. House Small Business Committee hearing scheduled by Chairwoman, Nydia M. Velazquez (D-NY) for Thursday, June 26.

"The airline industry stimulates so much economic activity -- much more than many people currently understand," said BTC Chairman Kevin Mitchell. "Airline networks are an integral part of the transport grid that supports the U.S. economy, and without immediate action to bring down fuel costs, we face the economic equivalent of a major blackout later this year or early next. Unlike in a blackout, however, the cabin lights may never come back on for many U.S. airlines."

"The runaway price of oil is seriously hurting working families at every level, and as the airline fuel crisis intensifies, the risk of major job losses in all travel and tourism sectors and in other airline-dependent industries increases as well," stated Jean McDonnell Covelli, BTC member and President of The Travel Team, Inc., a wholly owned subsidiary of Rich Products Corporation. "As a matter of highest priority, elected officials must focus on devising an energy policy that will keep Americans productively traveling and working."

According to the paper, "Airlines move people, but also high-value, time-sensitive or perishable cargo. Failure of one large airline would disrupt the travel of 200,000 to 300,000 passengers per day and thousands of tons of goods. The almost-full planes of remaining airlines would not be able to absorb much of these volumes. Failure of multiple airlines would paralyze the country and our American way of life, leaving us less productive, more isolated, less happy and more vulnerable."

The paper points to nine specific impacts of a collapse of the industry:

-- Direct Employment. Between 30,000 and 75,000 would lose work immediately with just one airline failure, with payroll losses of $2.3 billion to $6.7 billion.

-- Indirect Community Impact. Losses would ripple throughout communities given that each airline job creates large numbers of indirect local jobs, and other economic activity.

-- Reduced Purchases from Suppliers. Airline purchases would cease at any failed carrier impacting companies that rely on airlines to keep their businesses afloat as well as public entities such as airports.

-- Impact on Tourism. The world’s largest industry would be devastated in the U.S., with locally severe effects in places like South Florida, Hawaii, Las Vegas or Colorado, depending on which airline(s) fail.

-- Effects on Logistics and Supply-Chain Management. Restaurants, pharmaceutical companies, manufacturers relying on just-in-time parts, florists, grocers and the fashion industry would be among those injured.

-- Decline in Business Activity. Business travel -- really the flow of human capital, which precedes or facilitates other flows -- would be severely disrupted, with acute disruption in airline hubs and major cities.

-- Declining Tax Revenues. Loss of income taxes paid by employees, coupled with the loss of excise, use and other airline-paid taxes would be bad news for governments already struggling with declining revenues.

-- Increasing Government Outlays. Impacted individuals would immediately place demands on governments in the form of unemployment compensation, retraining and the demand for other resources.

-- Weakened US Competitiveness. America competes with other countries for tourists, and with reduced air lift to the U.S., travelers would be less likely to visit the U.S. and more likely to use non-U.S. carriers.

The full BTC study can be downloaded at

http://tinyurl.com/63wxy2

Founded in 1994, the mission of Business Travel Coalition is to bring transparency to industry and government policies and practices so that customers can influence issues of strategic importance to them.