Airlines Seek Federal Help To Survive War

by Anita Gallagher

The chicken-hawks behind the Iraq war can count among their "Week One" victims, the U.S. airlines and their employees, who took a 10% cut in air traffic and 10,000 layoffs in the week ending March 23, according to the Air Transport Association.

"The airline industry is in a seriously weakened state, and now is beginning to buckle from the non-market blow being dealt by the war," ATA President James May told a press conference on March 26. "But the war in Iraq, combined with domestic terrorism threats that keep the nation at Code Orange high alert, are non-market forces putting extraordinary negative pressure on demand."

The 10% decline in air traffic for the first week of the war was led by a 25% drop in Atlantic travel, and a 13% drop in Pacific travel—the long routes on which the airlines make higher profits. Advance bookings for the next 60-90 days suggest a virtual collapse: As of March 26, domestic bookings are down more than 20%; Atlantic, by more than 40%; Pacific, by 30%; and Ibero-American travel, by 15%. The ATA predicted in its March 11 Report, "Airlines in Crisis: The Perfect Economic Storm," a loss of an additional $4 billion in 2003 over the $6.7 billion already projected, and layoffs of an additional 70,000 workers because of the Iraq war, as well as airline bankruptcies, and even nationalization of the airlines as a possible result.

The LaRouche Alternative

The airlines' disaster could have been averted, if Lyndon LaRouche, a candidate for the Democratic Presidential nomination, had been listened to. In August 2002, LaRouche said: "The only thing that works, is a general bankruptcy and reorganization of the airlines, on a regulated basis." LaRouche's bankruptcy proposal has nothing in common with Wall Street asset-stripping; the idea is to save the physical infrastructure of the air transportation system, and the skilled labor force that maintains it. Instead of admitting that the financial bubble has burst, the Cheney-Wolfowitz imperial war faction, with its Democratic co-thinkers, like the Democratic Leadership Council's Sen. Joe Lieberman (D-Conn.), have proposed a rolling, imperial war, which merely begins with Iraq.

Although the bankrupt leadership of the Democrats and Republicans have refused to face the financial collapse, or stand up to the increasingly vulnerable imperial crazies, the reality that the airlines are all about to go under, has resulted in proposals for some distress assistance to airlines.

On March 19, Rep. James Oberstar (D-Minn.) introduced a bill for Federal aid to the airlines, to offset losses caused by the Iraq war, "The Aviation Industry Stabilization Act of 2003," co-sponsored by Reps. Peter DeFazio (D-Ore.) and William Lipinski (D-Ill.). The bill would authorize the Department of Transportation to 1) reimburse an airline for any financial losses caused by the war; 2) reimburse all airlines for the $312 million cockpit-door hardening required by the Transportation Security Administration; 3) extend war-risk insurance policies until 2007 at current rates; 4) reopen the Federal Loan Guarantee program for fuel purchases, if the cost of fuel exceeds the average cost by more than 50%; and 5) require the Energy Secretary to pump at least 500,000 barrels per day from the Strategic Petroleum Reserve if there are price spikes 50% above the average fuel price; and other measures.

On March 26, the *Washington Post* reported that the Bush Administration was working with Congress to add some emergency financial relief for the airlines to the $75 billion supplemental appropriation for funding the Iraq war. But the *Post* quoted an unnamed White House official as saying that the Administration would "not be in a position to make any fundamental difference through governmental largess, and we don't want to get in the way of the process going on"—which is the bankruptcy and liquidation of the air-transport infrastructure essential to linking the U.S. economy together.

Just as had happened in the 1991 Gulf War, on March 21, two days after the Iraq invasion started, a major carrier, Hawaiian Airlines, declared bankruptcy. Seven carriers went bankrupt in 1991; four were liquidated.

United Airlines, the world's second-largest, has not yet worked out givebacks with its unions, leading to talk of its liquidation. War-related furloughs have put flight attendants with 33 years seniority experience into "reserve" status. On March 24, United announced it would close its most modern maintenance facility in Indianapolis, and place 500 mechanics on "authorized no pay" immediately. Boeing 737s and 757s scheduled for major maintenance there, were taken out of service instead. The International Association of Machinists District 141-M, has filed for an injunction against the shutdown of the facility, claiming United is using the war to shift work to non-union facilities.

American Airlines, the world's largest, near bankruptcy, is desperately seeking $1.8 billion per year in givebacks. U.S. Airways, already in bankruptcy, must emerge with a new pension plan by March 31, or lose its ability to clear credit cards.

Ironically, the much-contested half-measures before Congress, will buy the airlines a few weeks of survival at most. LaRouche must be brought in by Congress, to present his emergency measures to save the airlines.