

CALIFORNIA CHAMBER of COMMERCE

ALLAN ZAREMBERG
President and Chief Executive Officer



March 20, 2015

The Honorable Anthony R. Foxx
Secretary of Transportation
US Department of Transportation
1200 New Jersey Ave SE
Washington, DC 20590

The Honorable John F. Kerry
Secretary of State
US Department of State
2201 C Street NW
Washington, DC 20520

Dear Secretaries Kerry and Foxx:

On behalf of the California Chamber of Commerce, I'm writing to you today about an important step we can take to level the playing field for American businesses and maintain the environment of fair market competition that has been a hallmark of America's success.

Over the past decade, Qatar Airways, Etihad Airways and Emirates Airline have received at least \$42 billion in government subsidies and other unfair benefits in violation of U.S. Open Skies policy. The CalChamber is asking that the U.S. government open consultations with Qatar and the United Arab Emirates (UAE) in order to address the massive, market-distorting subsidies that those nations provide their state-owned airlines.

As you may know, the California Chamber of Commerce is a broad-based nonprofit membership organization through which business, industry and agriculture join forces to work toward positive action on key issues that affect California's economic climate.

The organization, established in 1890, is the largest and most broadly based employer representative in California. Our members include over 14,000 firms of all kinds and sizes, representing three million jobs--one quarter of the state's private sector workforce, as well as 450 affiliated local chambers of commerce and 200 trade associations.

The California Chamber supports expansion of international trade and investment, fair and equitable market access for California products abroad, and elimination of disincentives that impede the international competitiveness of California business.

To be clear, the CalChamber firmly supports Open Skies and recognizes the considerable benefits that the policy has brought to U.S. travelers and the U.S. economy. We are not seeking to end the agreements with Qatar and the UAE, nor are we raising concerns with regard to any of the more than one hundred other Open Skies agreements. The CalChamber is requesting consultations, which are provided for within the Open Skies agreements themselves.

The tens of billions of dollars in subsidies are distorting the free market framework established by Open Skies and they will ultimately have a negative economic impact here in the United States if we allow them to continue. The heavily subsidized competition by the Gulf carriers is contributing to excess capacity, which draws passengers and revenue from U.S. airlines. If U.S.-based airlines continue to lose market share, it will lead to service cuts and ultimately American job losses. In fact, according to a white paper released by the Partnership for Open & Fair Skies, each route that is lost to Qatar, Etihad or Emirates will result in an average net loss of 821 good U.S. jobs. These are jobs that we cannot afford to lose and they should not be lost as a result of unfair competition from foreign carriers.

In response to these very serious concerns, some have stated that American, Delta and United must simply do more to compete and offer better services. The CalChamber is familiar with these airlines and their services in our region, and can assure you that they can compete with any airlines in the world as long as they are competing on an equal playing field and everyone is playing by the same set of rules. It is the U.S. government's responsibility to ensure that is the case with regard to Open Skies policy, which is why the CalChamber is asking you to open consultations on this issue so that the flow of subsidized capacity into the U.S. market can be addressed.

Thank you for your consideration of this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Allan Zaremberg". The signature is fluid and cursive, with a long horizontal line extending to the right from the end of the name.

Allan Zaremberg
President and CEO
California Chamber of Commerce

cc:
Senator Dianne Feinstein
Senator Barbara Boxer