



AIR TRANSPORT ASSOCIATION

■ **JAMES C. MAY**
PRESIDENT AND CEO

June 26, 2009

Mr. Gerald Parsky, Chair
California Commission on the 21st Century Economy
c/o State of California Department of Finance
915 L Street, 8th Floor
Sacramento, CA 95814

Dear Mr. Parsky:

The Air Transport Association of America and its members¹, which transport more than 90 percent of the passengers and cargo in the United States, are strongly opposed to the proposed “Carbon Tax on Fuels” that was included as an option in the “Tax Structure Alternatives” presentation at the Commission’s June 16, 2009 meeting. We respectfully urge the Commission to reject this proposal.

The Carbon Tax would result in a tax of approximately 18 cents per gallon on various petroleum products, including jet fuel. California already imposes the highest statewide tax on jet fuel of any of the 50 states. We estimate that the Carbon Tax would cost air carriers in excess of an additional \$500 million annually, at a time when the industry can least afford it. U.S. passenger and cargo carriers have reported losses of over \$55 billion over the last eight years, with additional losses expected for 2009. Today, fuel is the airlines’ largest cost center and we have every incentive to continue to reduce our fuel burn – and emissions. In 2008, our industry spent almost \$60 billion on fuel alone: the size of our fuel bills often mean the difference between profitably and loss in any given year. On a seat-mile basis, the U.S. airlines have improved their fuel efficiency by more than 110 percent since 1978. In absolute terms, we burned 3 percent less fuel – and emitted 3 percent less carbon – in 2007 than we did in 2000, despite hauling 20 percent more passengers and cargo. We have achieved this record by spending money – purchasing new aircraft, acquiring new engines, installing advanced avionics, retrofitting airframes with winglets and other efficiency enhancers. The Carbon Tax will divert millions of dollars from our industry that it would otherwise use to continue these advances; it would also stymie any related economic growth created by airlines.

¹ ATA is the principal trade and service organization of the U.S. scheduled airline industry. The members of the association are: ABX Air, Inc.; AirTran Airways; Alaska Airlines, Inc.; American Airlines, Inc.; ASTAR Air Cargo, Inc.; Atlas Air, Inc.; Continental Airlines, Inc.; Delta Air Lines, Inc.; Evergreen International Airlines, Inc.; Federal Express Corporation; Hawaiian Airlines; JetBlue Airways Corp.; Midwest Airlines; Southwest Airlines Co.; United Airlines, Inc.; UPS Airlines; and US Airways, Inc. Associate members are: Air Canada; Air Jamaica; and Mexicana.

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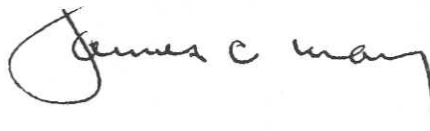
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Commercial aviation is vital to California's economy, supporting both tourism and California's residents and businesses. Commercial aviation generates \$186 billion annually in economic activity in the state, and is ultimately responsible for 1.5 million jobs. Any tax increase of the magnitude that would result from the Carbon Tax can only have a detrimental effect on those contributions. In fact, due to the economic conditions of the industry, airline schedules for the fourth quarter of 2009 show that California will have lost 16.5 percent of its scheduled-air-service flights compared to 2007; imposing additional taxes will certainly not reverse that trend. In addition, imposing a Carbon Tax would provide carriers with even more of an incentive than currently exists to tanker in fuel on aircraft arriving from other states. This would result in the state not only not receiving any Carbon Tax on that fuel, but also losing the existing sales taxes on the additional tankered fuel (and ironically increasing carbon emissions as aircraft would be carrying and therefore burning more fuel than otherwise necessary.)

In addition, since commercial aviation is truly a global industry, any efforts to tax or regulate aircraft emissions should ideally be international in scope, but certainly should not be done on a state-by-state basis. In fact, the International Civil Aviation Organization (a United Nations-sponsored organization) is meeting this October and is expected to adopt recommendations of its climate working group regarding regulating aircraft emissions. We also point out that most of the aircraft carbon emissions that would be subject to the Carbon Tax would not take place within the state of California.

For these reasons, we urge the Commission to reject any proposed Carbon Tax on aviation fuel.

Sincerely,

A handwritten signature in black ink, appearing to read "James C. May". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

cc: Governor Schwarzenegger