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Testimony of

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Before the

Committee of Transportation and Infrastructure's

U. S. House of Representatives

Regarding:

The Economic Viability of the Civil Reserve

Air Fleet (CRAF) Program

Wednesday, May 13, 2009

MR CHAIRMAN, MEMBERS OF THE COMMITTEE, ON BEHALF OF THE MEN AND WOMEN OF EVERGREEN INTERNATIONAL AIRLINES (EIA). I AM PLEASED TO APPEAR BEFORE YOU TODAY TO DISCUSS THE CIVIL RESERVE AIR FLEET (CRAF) AND THE ROLE EVERGREEN PLAYS IN CRAF PEACETIME AND CONTINGENCY OPERATIONS AND PLANS.

FOR OVER SIXTY YEARS THE PARTNERSHIP BETWEEN THE DEPARTMENTS OF TRANSPORTATION, DEFENSE AND THE US CIVILIAN AIR CARRIERS HAS CONSTANTLY ASSURED AIRLIFT SERVICES BEYOND THOSE AVAILABLE WITHIN THE FEDERAL GOVERNMENT TO MEET THE NATION'S MOBILITY NEEDS. UNDER ANNUAL CONTRACTS, CRAF PROVIDES THE CAPACITY, CAPABILITY, AND EXPERTISE OF THE CIVIL INDUSTRY TO AUGMENT MILITARY NEEDS. ALL CRAF CARRIERS ARE VOLUNTEERS THAT, IN RETURN FOR A SHARE OF PEACETIME AIRLIFT BUSINESS, COMMIT AIRCRAFT, CREWS, AND INFRASTRUCTURE TO MEET DEFENSE WARTIME AND CONTINGENCY REQUIREMENTS. THIS PRIVATE SECTOR COMMITMENT, INVOLVING BILLIONS OF DOLLARS IN HARDWARE, THOUSANDS OF CREWMEMBERS AND SUPPORTING PERSONNEL, AND BILLIONS MORE DOLLARS IN LIFE CYCLE COSTS IS MADE AVAILABLE ON CALL WITH NO COST TO THE GOVERNMENT UNTIL UTILIZED. THIS ALLOWS THE DEFENSE DEPARTMENT TO AVOID EQUIPPING, TRAINING AND MAINTAINING A HUGE FLEET OF PASSENGER, CARGO, AND AERO-MEDICAL EVACUATION RESOURCES, WHICH WOULD LARGELY BE STATIC AND CONSUME MULTI-BILLION DOLLAR PUBLIC SECTOR APPROPRIATIONS THAT ARE SORELY NEEDED FOR OTHER PURPOSES. CRAF ACTS AS A GUARANTEED AIRLIFT SAFETY NET, USED WHEN NEEDED IN TIMES OF PEACE AND RAPIDLY AVAILABLE WHEN CALLED INTO SERVICE.

IN THE HISTORY OF CRAF THERE HAVE BEEN THREE PARTIAL ACTIVATIONS, TWO DURING DESERT SHIELD/DESERT STORM IN 1990-1991, AND A THIRD AT THE ONSET OF OPERATION IRAQI FREEDOM IN 2003. IN EACH OF THESE ACTIVATIONS CRAF AIRCRAFT AND CREWS PROMPTLY AND FULLY MET DOD'S CONTINGENCY NEEDS.

STUDY AFTER STUDY HAS CONCLUDED THAT WITHOUT CRAF THE NATION'S MILITARY READINESS WOULD BE AT RISK, AS MILITARY PLANNERS COUNT ON CRAF FOR UP TO 90% OF TROOP DELIVERIES AND FULLY ONE THIRD OF PLANNED CARGO MOVEMENTS.

THE 1987 NATIONAL AIRLIFT POLICY ENCAPSULATES THE INTERDEPENDENCE OF MILITARY AND CIVILIAN AIRLIFT, ASSIGNING MILITARY AIRLIFT TO THOSE TASKS FOR WHICH CIVIL LIFT IS UNAVAILABLE OR INSUFFICIENT. CRAF IS ASSIGNED THOSE OTHER OPERATIONS THAT DO NOT REQUIRE THE SPECIALIZED LIFT CHARACTERISTICS OF MILITARY AIRLIFTERS.

TODAY, CRAF OPERATORS, WORKING UNDER CONTRACT TO U.S. TRANSCOM, ROUTINELY DELIVER PASSENGERS AND CARGO AROUND THE WORLD. SHOULD THE NEED ARISE FOR ANOTHER FULL OR PARTIAL ACTIVATION OF CRAF, ITS CARRIERS ARE CONTRACTUALLY COMMITTED TO MEET DEFENSE REQUIREMENTS AT A PRE-ARRANGED COST PER PASSENGER MILE OR CARGO-TON MILE. WITH CRAF CONTRACTS IN PLACE, THE DOD CAN NOT ONLY COUNT ON CIVIL AUGMENTATION, BUT WILL KNOW THE COSTS OF ANY SUCH ACTIVATION.

IN BRIEF, MR CHAIRMAN, CRAF REPRESENTS THE BEST OF A PUBLIC/PRIVATE PARTNERSHIP. IT IS A PARTNERSHIP TESTED IN TIMES OF CONTINGENCY AND EXERCISED DAILY THROUGH THE U.S. TRANSCOM CRAF CONTRACTING PROVISIONS, WHICH WE BELIEVE HAVE SERVED THE PROGRAM FOR MANY YEARS. ABRUPT CHANGES TO THESE PROVISIONS, INCLUDING ELIMINATING OR ALTERING TEAMING ARRANGEMENTS, WOULD HAVE SIGNIFICANT DOWNWARD AFFECT ON CRAF PARTICIPATION. EVERGREEN IS A MANAGER OF THE LARGEST TEAMING AGREEMENT INVOLVING ALMOST 50% OF THE CRAF AIRCRAFT AND WE WELL UNDERSTAND OUR PARTNERS CONCERN FOR CHANGES AFFECTING THEIR PARTICIPATION.

IT MUST ALSO BE NOTED THAT MAINTAINING A VIBRANT CRAF IS DEPENDENT UPON A LEVEL OF PEACETIME AIRLIFT BUSINESS TO SUSTAIN CURRENT CRAF COMMITMENTS. IT IS THE ROBUST AND ASSURED LEVEL OF PEACETIME CONTRACT DOLLARS THAT ALLOW CRAF PARTICIPANTS TO OPERATE DAILY FOR THE DOD. REDUCING THAT LEVEL OF BUSINESS WOULD BE DETRIMENTAL TO CRAF PARTICIPATION, AND AS A RESULT, NATIONAL SECURITY WILL BE JEOPARDIZED. WE APPLAUD CONGRESS FOR PASSING THE ASSURED BUSINESS LEGISLATION AFFECTING CRAF CONTRACTING. HOWEVER, WE WOULD SUGGEST IT SHOULD BE EXTENDED BEYOND PASSENGER OPERATIONS AND INCLUDE CARGO AS WELL.

FOR ITS PART, EVERGREEN IS PROUD OF THE FACT THAT IT HAS BEEN A CRAF CARRIER SINCE ITS INCEPTION. YEAR AFTER YEAR, EVERGREEN HAS OPERATED PEACETIME CARGO MISSIONS FOR DOD AND HAS BEEN AT THE FOREFRONT OF MISSIONS OPERATED DURING CRAF ACTIVATION. TODAY EVERGREEN OPERATES A FLEET OF CLASSIC B-747 CARGO AIRCRAFT. TO BETTER RESPOND TO DOD NEEDS WE ARE ASSESSING THE COST/BENEFIT OF FLEET ENHANCEMENT TO MORE MODERN 747'S, WHICH OFFER INCREASED PAYLOADS AT SIGNIFICANTLY LESS COST, ESPECIALLY IN TERMS OF FUEL. WE ARE COGNIZANT OF THE NATION'S CONTINUED DEPENDENCE ON FOREIGN PROVIDED FOSSIL FUEL AND HOPE THROUGH THESE EFFORTS TO DO OUR PART FOR THE STRATEGIC AND ENVIRONMENTAL BENEFITS THAT WILL ACCRUE.

WHILE WE ARE EAGER TO PROCEED ON OUR RE-CAPITALIZATION PLAN, THE NATION'S CURRENT ECONOMIC PLIGHT HAS THWARTED OUR ATTEMPTS TO OBTAIN SUITABLE CREDIT AND TERMS TO SATISFY THIS EFFORT. WE ARE IN SEARCH OF A BOLD NEW LEADERSHIP APPROACH, WHICH WOULD AFFORD EVERGREEN, AND ANY OTHER CRAF CARRIER, THE OPPORTUNITY TO UPGRADE OUR AIRLIFT FLEET. THE OBAMA ADMINISTRATION AND CONGRESS HAVE RECOGNIZED THE IMPORTANCE OF MEASURES TO STIMULATE THE ECONOMY.

PROVIDING SUCH A STIMULUS TO THE CRAF CARRIERS MAKES GOOD SENSE FOR ALL OF THE REASONS ABOVE, AS WELL AS STIMULATING EMPLOYMENT IN THE MANUFACTURE AND RE-MANUFACTURE OF COMMERCIAL AIRCRAFT TIED TO THE CRAF.

EVERGREEN LOOKS TO YOUR LEADERSHIP, MR CHAIRMAN, TO ASSIST THE US COMMERCIAL AIR CARRIER INDUSTRY TO REAP THE MANY BENEFITS ASSOCIATED WITH INCORPORATING MODERN AIRCRAFT INTO THEIR FLEETS. WE WOULD BE PLEASED TO WORK WITH YOU AND THE COMMITTEE TO CREATE AND IMPLEMENT ANY SORT OF INCENTIVE OR STIMULUS PROGRAM. IT MAKES GOOD SENSE FOR THE INDUSTRY AND FOR OUR NATION.

THANK YOU MR CHAIRMAN FOR YOUR ATTENTION TO THESE REMARKS AND I AM PREPARED TO ANSWER ANY QUESTIONS YOU OR THE COMMITTEE MEMBERS HAVE.