

## Proposed Speculation Limits Benefit Airlines

by Raphael Bejar, CEO Airsavings

**Paris, France—August 2009**—Last week, spurred by the wild volatility in the price of crude oil, the US Commodity Futures Trading Commission took a first step toward limiting the effect of speculation on these sensitive markets. For airlines, particularly low cost carriers whose small-margin business model often makes them susceptible to variations in the cost of fuel, this is a positive development.

The CFTC announced that it would consider setting limits on the trading of energy futures by purely financial players, including large hedge funds and investment banks that have capital reserves large enough to tilt the market. Given that the price of a barrel of oil swung from a low of \$30 in the first quarter to around \$70 last month- driven almost entirely by speculation that a global economic recovery would get underway faster than expected- we think that any regulation aimed at limiting this sort of volatility is right and necessary. We encourage other governmental agencies, like the Committee for European Securities Regulation, to take similar steps.

Of course, the curbs on speculative energy futures trading proposed by the CFTC do not affect fuel hedging contracts regularly entered into by airlines, as they shouldn't. Airlines, even those that hedge extensively, are not speculators; on the contrary, airlines are often the victims of speculation-spawned volatility in the crude market. The defunct carriers that could not get out from under last summer's \$100-plus oil can attest to that.

This proposed regulation- and the regulatory philosophy that generated it- is good news for airlines across the globe. The dogmatic allegiance to unfettered, lightly regulated markets that seems to have prevailed for the last decade or two ultimately yielded more than just a roller-coaster commodities market, it contributed to the global financial collapse that preceded the recession. The shift in attitude reflected by the CFTC's willingness to consider limits on futures speculation will, in our opinion, benefit low cost, regional and legacy airlines as well as other energy-dependent industries.

### **About Airsavings**

*Created in 2001 by airline industry professionals to serve the growing needs of mid-sized airlines in cost reduction and ancillary revenue generation, Airsavings is a group buying service focusing on fast growing airlines. By combining the purchasing volume of participating airlines, Airsavings was the first to apply to the airline industry a successful concept already in use in the auto, chemical and hospitality industries. Airsavings group buying expertise, combined with the knowledge of airline internet booking engines, has uniquely positioned Airsavings in the area of ancillary revenues - now a vital lifeline for airlines. Airsavings proprietary industry platform called AirlinePlus, enables carriers to deliver a multitude of ancillary services found most useful and with the greatest potential for mass adoption and profitability. For more information, please visit [www.airsavings.net](http://www.airsavings.net).*

