BTC

Testimony of Kevin P. Mitchell

Chairman, Business Travel Coalition

Before the House Committee on Transportation and Infrastructure Subcommittee on Aviation

Regarding Airline Delays and Consumer Issues

September 26, 2007

Kevin P. Mitchell
Business Travel Coalition
214 Grouse Lane, Suite 110
610.341.1850

Mr. Chairman and Members of the Committee, thank you for inviting the Business Travel Coalition (BTC) to testify before this Committee again and to today provide our views on the subject of airline delays and consumer issues. Formed in 1994, BTC has consistently advocated on behalf of business travelers the need for improved airline service and has provided the Congress and U.S. Department of Transportation specific suggestions on how to ensure such improved service in the marketplace. Today, I am here to advocate Congressional intervention, which is anathema to most businesses BTC represents.

It is promising that the intention of this hearing is to move beyond service meltdowns such as the JetBlue debacle this winter and expand the analysis to customer service much more broadly defined to include:

- long and unpredictable airport security lines,
- cramped planes,
- the unreliability of the system vis-à-vis delays and cancellations,
- the NIMBY lobby,
- failed Federal Aviation Administration modernization initiatives,
- the lack of true airline industry leadership on this issue,
- Congressional inaction,
- and much more.

These issues are all interrelated in terms of cause, effect and possible remedies. There are many parties that share blame for the current state of aviation industry affairs.

The statistics about delays, cancellations and service failures are well known, so I will not repeat them. We also hear about the projection of passenger growth from today's 700 million to 1 billion by 2015 and how there is a crisis looming. The reality is the U.S. commercial aviation system is today already in crisis and heading for political and economic catastrophe.

Conventional wisdom is that we need to prepare now for these 1 billion passengers. But in just a short 24 months we will be near 800 million passengers rendering 2007 and its many problems a mere historical footnote; perhaps even being referred to as the good old days. The catastrophe-scenario is essentially bearing down upon us. We are likely to move from the equivalent of electrical brownouts today to aviation system blackouts by 2009/2010. "No wiggle room" in the system will soon be replaced with starting each morning in a deep Katrina-like operational hole.

The aviation system for business travelers will simply be unreliable; traveler productivity will plummet; and commercial activity will be reduced. Leisure travelers will be beside themselves as their vacation plans are ruined. Regretfully, the U.S. will have lost it role

as the world's leader in commercial aviation, a critically important industry sector. And this is well before we reach 900 million or 1 billion passengers, and of course an even greater number later in the next decade.

The public policy concern is that, on the one hand, if we choose ill-conceived election cycle, super-charged customer service remedies in the immediate term, we will do harm to consumers ultimately and waste precious time laboring under feel-good measures that do not address systemic problems. On the other hand, doing nothing is not an option given what is ahead. We do not yet appreciate true aviation system gridlock and all its societal and economic impacts.

The weather and the FAA are no doubt part of the problem as are ordinary citizens who, for example, have filed lawsuits to block a more efficient airspace redesign in the New York City area. Likewise, there is inadequate appreciation for the burdens of the airline industry and its employees during the past seven years that have impacted customer service, again broadly defined. Airlines have had to battle new security costs, rapid low-cost carrier market penetration, SARS, wars in Afghanistan and Iraq, bankruptcies, labor strife and record jet fuel prices.

However, it is BTC's view that airlines as an industry--and as the prime movers with respect to fundamental change--are not energized and motivated to provide the level of leadership required to seriously move-the-dial, in sufficient time, on this pending national catastrophe. Many are weary of hearing the FAA and weather blamed with little sense of airlines' own accountability and responsibility in this area. The airline industry is more than capable of united leadership and singleness-of-purpose as when, for example, it secured $5 billion from Congress in 2001 as partial compensation for the 9-11 terrorist attacks on our nation. BTC supported that legislation. Stories in the press at the time told of an unprecedented galvanized and unified airline industry lobby. That's what is required now, but we are not seeing it.

Status quo for the airlines means two things, in BTC's view. First, on the positive side for airlines, as we reach 800 million passengers, business travel ticket prices, and airline profits, will likely reach intoxicating highs. Second, on the negative side, the airlines are inviting serious government intervention into the marketplace that they will not find acceptable, but will have little political capital left at the time to forestall.

BTC Recommendation - Reverse-Sunset Legislation

Respectfully, this Committee should consider Reverse-Sunset legislation that provides a very strong inducement for airlines to provide and implement solutions to immediately address its portion of the current crisis and looming catastrophe. (A concept first introduced by *USATODAY* columnist and consumer advocate Bill McGee on March 1, 2007.)

BTC recommends that the *National Academies of Sciences, Transportation Research Board* (TRB) be directed by Congress to produce two deliverables.

First, Congress should request a set of well-vetted recommendations regarding solutions to systemic aviation system problems. For example, immunized DOT-moderated airline schedule-reduction conferences for major airport hubs, airport congestion pricing alternatives, operational meltdowns and customer service recovery metrics and plans are all areas requiring exploration.

Second, the TRB would be tasked with defining and stress-testing criteria to determine if there is a true market failure with respect to the reliability and customer service levels of the commercial air transportation system. The failure could be caused by a lack of national aviation capacity—in all its many forms and causes—or by lack of aviation industry action to address customer service problems broadly defined.

Criteria might include auditable airline customer service recover plans or metrics such as U.S. DOT-tracked on-time arrivals, mishandled baggage, involuntary bumpings and consumer complaints. Such metrics have been legitimized by airlines like Continental who have used them to reward employee performance.

After considering the ideas and strategies developed by TRB, Congress would pass Reverse-Sunset legislation embracing some or all of TRB's recommendations. If at a point in the future it is determined the airline industry has failed to deliver on its commitments, there would not be hearings to determine if there is a problem. Rather, the already-passed Reverse-Sunset legislation would become the new requirements for the airline industry.

The DOT Inspector General would be charged with monitoring the industry vis-à-vis this Reverse-Sunset legislation would report to Congress on a routine basis.

The benefits of this strategic approach include:

1. Avoiding punitive, ill-conceived fixes in the near-term that will only ultimately harm the consumer and distract Congress, FAA and the airline industry from working on a comprehensive and integrated package of quality solutions.

2. Encouraging the airline industry to put energy and leadership behind a campaign to introduce sustainable, fundamental reforms to the industry before the nation seriously reconsiders re-regulating portions of the industry.

3. Developing a TRB-led strategy with useful ideas that the airline industry could consider implementing voluntarily.

One of the deep frustrations of those passengers who have been stranded many hours on a flight is their inability to take legal action if they feel that they have been harmed because of federal preemption. Another frustration for some is the lack of states' rights in national aviation matters. On the one hand federal preemption prevents different customer service regulations for hundreds of jurisdictions around the country which would be inefficient and unworkable. On the other hand, this lack of consumer power is why a relatively small number of customer service meltdowns can serve as a proxy for and amplify so many other customer service problems.

As the American Society of Travel Agents points out: "The airlines use public air space and public facilities to profit from the transportation of millions of people who have no alternative but to use their services. These circumstances compel the airlines to accept a public trust and responsibility to comply with minimum standards of courtesy, comfort, convenience and service."

BTC believes the airlines have a historic choice to make: provide real leadership now, or face regulation.

Thank you for the opportunity to address you today.