

**DOT INSPECTOR GENERAL'S FINAL REPORT ON
AIRLINE CUSTOMER SERVICE**

HEARING

BEFORE THE

**COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE**

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

FEBRUARY 13, 2001

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SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

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DOT INSPECTOR GENERAL'S FINAL REPORT ON AIRLINE CUSTOMER SERVICE

TUESDAY, FEBRUARY 13, 2001

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Committee met, pursuant to notice, at 9 a.m. in room SR-253, Russell Senate Office Building, Hon. John McCain, Chairman of the Committee, presiding.

OPENING STATEMENT OF HON. JOHN MCCAIN, U.S. SENATOR FROM ARIZONA

The CHAIRMAN. Good morning. In January 1999, tremendous attention was focused on airline passenger rights when hundreds of passengers were stuck in planes on runways in Detroit for up to eight and one-half hours. As a result of this episode, and other horror stories, Senator Wyden and I introduced S. 383, the Airline Passenger Fairness Act, a bill cosponsored by Senators Hollings and Rockefeller.

After a series of hearings, this committee passed S. 383, which had evolved to provide the oversight mechanism for the voluntary Airline Customer Service Commitment agreed to by the Air Transport Association airlines. The bill, which was enacted into law as part of AIR-21, required Department of Transportation Inspector General Ken Mead to audit the airlines' performance of their commitments. As part of their voluntary commitment, the airlines began to implement their individual plans in December 1999.

In June of last year, the Department of Transportation Inspector General issued his interim report on how well the airlines were living up to their voluntary customer commitments. At that time, the IG reported mixed results. The airlines were still struggling with aspects of their plans. Some success had been obtained, but the IG's interim report raised serious questions about the adequacy of the airlines' actions to meet the basic standards of customer service. At that time, I committed to wait for the release of the IG's final report before deciding on a further course of action.

Yesterday, the IG released the final report on the voluntary Airline Customer Service Commitment. In the report, the IG found that the airlines have made significant inroads on the basic customer service issues to which they committed. I commend the airlines on their efforts. It is clear that they have invested significant amounts of time and money into attaining these goals.

However, many argue, and I agree, that what the airlines agreed to in their commitments were merely minimum basic passenger

needs. The Inspector General's final report finds that the airlines are still deficient in many of these areas of basic customer service. This causes me great concern. After a year, we are still not in a position where basic customer service needs are being met.

There are clearly other strains on the aviation system that impair the airlines' ability to provide flights that are not delayed or canceled. Weather, congestion and antiquated air traffic systems cause tremendous system-wide problems. However, bad weather does not cause mishandled baggage and congestion does not prohibit giving timely information on delays. For the record, I find it difficult to believe that the "seamless travel" and "network benefits" touted by airline merger proponents will improve this situation by any degree.

The broad-ranging, systemic problems facing the industry will be studied by this committee when we look further at the air traffic control system and ways to increase system capacity and inject competition into the market. Today, we are focused on basic passenger needs that should be met in any situation.

Mr. Mead has released a concise, thoughtful report with a series of recommendations to further the goals set forth by the voluntary Airline Customer Service Commitment. I, along with Senators Hollings and Hutchison, am prepared to introduce legislation this afternoon to fully implement these recommendations.

Mr. Mead is with us today to discuss his findings and recommendations. Ms. Hallett is here to discuss the industry response to this report. Thank you both for coming.

[The prepared statement of Senator McCain follows:]

PREPARED STATEMENT OF HON. JOHN MCCAIN, U.S. SENATOR FROM ARIZONA

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The CHAIRMAN. Senator Kerry.

**STATEMENT OF HON. JOHN F. KERRY,
U.S. SENATOR FROM MASSACHUSETTS**

Senator KERRY. Mr. Chairman, I'll be very brief as you requested. I apologize. I do have to go to another meeting and then come back.

Let me just say quickly that this committee, and the entire review process of the Congress have produced some positive results. We need to acknowledge that. Some good things have happened and the airlines have made a bonafide effort to help make some of those good things happen. On the other hand, there are still some very obvious problems.

On the good side, I think people realize that they can make a 24-hour hold on a reservation without purchasing. There is better information given about lowest available fare. There are a number of very positive steps.

But it seems as if there is a sort of consensus that with respect to delays, particularly delays that for whatever reasons the airlines don't feel they have a responsibility, there seems to be a lack of capacity to still inform passengers, and provide them with information. I know the Department of Transportation consumer report shows that on a hundred different regularly scheduled flights, they are late I think it is 79 percent, almost 80 percent of the time.

People should be informed of those kinds of problems ahead of time as they book. I think that would significantly reduce the anxiety and anger that is created as a result of this.

In addition to that, it seems to me that we have to recognize one thing, Mr. Chairman, very importantly. The three most significant reasons for delays are not within the capacity of the airlines to completely control.

No. 1 is weather. No. 2 is the air traffic control system of the country and No. 3 are the sometimes disagreements that arise between management and labor that manifest themselves in certain ways. Obviously, that has a profound impact on those airlines.

But notwithstanding those three which this committee needs to be thoughtful about, the fact remains that information can flow better about delays, people can be told ahead of time before they go to the airport for a flight that they learn was canceled when they get to the airport, but which was in fact canceled sometime prior to departure for the airport, but they're not told that even

though they telephone. I mean, there are ways to do this in this virtual real-time world that we live in.

So, Mr. Chairman, thank you for having this oversight hearing. I think this is an ongoing process of this committee's ability to make the transportation system, particularly the airlines, more amenable to change. I think that's happening and hopefully we can take the next steps now. Thank you.

The CHAIRMAN. Thank you.
Senator Hutchison.

**STATEMENT OF HON. KAY BAILEY HUTCHISON,
U.S. SENATOR FROM TEXAS**

Senator HUTCHISON. Thank you, Mr. Chairman. I want to thank you for asking for this study. I certainly think it was the right approach to set some standards that we would ask the airlines to meet and then monitor how they have done.

I am pleased that in some areas there has been progress. I would just like to say as Chairman of the Aviation Subcommittee that I think we are working on dual tracks here. I think the Chairman of the Committee, Senator McCain, you've taken the lead on the passenger bill of rights and the right to know and having the most up-to-date information available which I think is a very important part of this process.

I plan to also take the lead on addressing the cause of these delays. I want to have the information available. I want passengers to have more options. But I am also working on the second track which is to direct the FAA to develop recommendations to deal with over scheduling at peak hours. It is clear if you have got 20 airlines that are saying they are going to take off at 8:45 that that cannot happen.

So let us look at the over-scheduling at peak hours. In consultation with the new Secretary of Transportation, we have discussed streamlining and shortening the environmental reviews so that we can get the new runways built and alleviate the congestion that we find on the ground at the airports.

The same goes for building terminals and gate facilities. I think we need a uniform definition of delay that includes a situation where a flight is pushed away from the gate but sits on the tarmac. That should be included in the definition of delay.

All of us have sat on the ground for hours and not been able to take off. Recently, a flight I was on sat on the ground for 4 hours and then the plane ran out of gas on the way to the destination. We had to stop and refuel before we got to the destination of the non-stop flight.

Every passenger has a story like this. I understand the Chairman even had one from yesterday. So we are going to try to address some of the real causes of these delays and cancellations as well as the information that we would expect airlines to give passengers.

Thank you, Mr. Chairman.
The CHAIRMAN. Thank you.
Senator Wyden.

**STATEMENT OF HON. RON WYDEN,
U.S. SENATOR FROM OREGON**

Senator WYDEN. Thank you, Mr. Chairman. I very much appreciate your scheduling this hearing. Mr. Chairman, yesterday afternoon, my staff sent your staff a detailed set of specs for a new passenger bill of rights. I want to make it clear I am very anxious to work with you and Senator Hutchison in terms of trying to get that legislation moving.

Mr. Chairman and colleagues, this is a superb report, meticulously researched. I want to make only a couple of comments. Because we want to hear from Mr. Mead and Ms. Hallett.

First is the airline industry has been a bottomless pit of excuses with respect to putting in place a strong set of protections for America's airline passengers. I am very hopeful that this time the U.S. Congress will not back off. We are going to be subject again to an extraordinary charm offensive by America's airlines which will have as part of it every possible rationale for holding off strong action.

After 18 months, what Ken Mead has shown in this report is that voluntary measures alone are not going to produce significant relief for America's passengers.

I want to make it clear that I am very supportive of the points that Senator Hutchison has made with respect to infrastructure. There is no question, none whatever, that demand exceeds capacity right now in America's airline sector and that we have to make sure that they have adequate numbers of computers and runways and essential infrastructure. So I'm going to be there every step of the way for that agenda.

But you don't need to pour more concrete to start requiring that these airlines share with the passengers information that is in their possession. That's essentially what we ought to be doing with respect to a passenger bill of rights.

For the life of me, I cannot figure out why we can't have a truth in scheduling requirement that says for these flights that are persistently delayed that that kind of information should be made available to the public. The automobile industry has lemon laws. You can't cancel a performance at the local movie house because enough people don't show up. Now I think we ought to stop giving the airline industry a political free ride.

So I'm anxious to work with my colleagues. This issue has been a bipartisan one from the very beginning. I hope that ultimately this time the U.S. Senate will not back off. I think it was a mistake to do that 18 months ago and I hope things will be different this time.

Mr. Chairman, I look forward particularly to working with you and Senator Hutchison to ensure that this bill is bipartisan and gets on the President's desk. I thank you.

The CHAIRMAN. Thank you, Senator Wyden. As the chief backer-offeror, I appreciate your kind remarks. Mr. Mead and Ms. Hallett, welcome. Mr. Mead, welcome back before the Committee. We would like to hear your comments and followed by Ms. Hallett.

**STATEMENT OF HON. KENNETH M. MEAD, INSPECTOR
GENERAL, DEPARTMENT OF TRANSPORTATION**

Mr. MEAD. Thank you, Mr. Chairman. I will discuss the results of our work and as directed by law make a set of recommendations for improving consumer protections afforded air travelers.

We are making about 25 recommendations. They are before you, in our final report and in our prepared statement. I will just touch on the highlights.

Before I begin, I want to emphasize that the Air Transport Association (ATA) and the airlines cooperated fully with us. I should say before we get into our findings something about the magnitude of this effort. It was substantial, probably the largest external audit our office has ever performed. With your permission, I would like to submit the names of the staff that worked on it for the formal record.

EXHIBIT C.—MAJOR CONTRIBUTORS TO THIS REPORT

The following staff members contributed to this report:

Audit Team: Alexis M. Stefani, David A. Dobbs, Robin K. Hunt, Scott Macey, Lester Girdlestone, Anne Longtin, Petra Rose, Shirley Murphy, David Brown, Gloria Echols, Donald Emery, Carlton Hamilton, Todd Kath, Deborah Kloppenburg, Jeffrey Mortensen, Darren Murphy, Paul Nagulko, James Nelson, Patrick Nemons, Adrienne Simms, Nelda Smith, Lisa Stone, Paul Streit, Sharon Trodden, James Wahleithner, Susan Zimmerman.

Legal Counsel: Brian Dettelbach, Tom Lehrich, David Koch.

The CHAIRMAN. For the record, and we thank them for their hard work.

Mr. MEAD. Now, we tested implementation of the airlines' 12 point commitment at their corporate offices, reservation centers and airport facilities of the 14 ATA airlines and three non-ATA airlines; observed airline operations at 39 airports, including observing and experiencing first-hand approximately 550 delayed flights and 160 canceled flights; reviewed 4,100 mishandled bag claims; placed nearly 2,000 phone calls to reservation centers; and reviewed the compensation provided over 800 passengers who were either voluntarily or involuntarily bumped and the treatment of about 380 disabled and special needs passengers.

Overall, we found that the airlines were making progress toward meeting their customer service commitment. It has been a plus for air travelers on a number of important fronts.

The commitment, I think, is also noteworthy, because it prompted the airlines to take the matter of improving customer service much more seriously than previously had been the case.

Also, the airlines were generally responsive to the recommendations we made in our interim report. But the airlines, the airports, FAA and most important the traveling public, all know the aviation system is not working well. The road ahead is long. Aggressive progress is going to be required by the airlines, the airports and FAA if consumer confidence is going to be restored.

Now, notwithstanding the progress I mentioned, we continue to find very significant shortfalls in communication with passengers by the airlines about flight delays and cancellations. We also found that the airlines' commitment does not directly address the most deep-seated, underlying cause of the dissatisfaction, which is the delays and cancellations. Nor does it say what the airlines plan to

do about delays and cancellations in the areas under their control in the immediate term.

Action here is critical because major improvements in providing capacity to meet demand, like new runways and, new technology, are not going to be in place for at least the next several years.

Meanwhile, the year 2000 was a record one and not in a good way. One in every four flights was affected by delay or cancellation. The average delay was over 50 minutes. Consumer complaints were at record levels.

The next major crunch in air travel is likely just around the corner, in the Spring/Summer of 2001. I will move to the specifics of what we found. I would like to get to the positives of our findings first.

In general, we found the areas where the commitment was working well and the greatest progress being made were for 4 of the 12 commitments, all in areas not directly associated with whether a flight is delayed or canceled:

Specifically, for the airlines' commitment for quoting the lowest fare available over the phone, we found compliance between 88 and 100 percent of the time for a fixed itinerary.

For the commitment for holding non-refundable reservations at the fare quoted for 24 hours or canceling a reservation within 24 hours without penalty, we found compliance between 88 and 100 percent of the time.

For the commitment to make timely responses to complaints, we found compliance between 61 and 100 percent of the time, with 13 Airlines compliant between 93 and 100 percent of the time.

I should say these complaint responses were not just acknowledgments. They were fairly substantive, although the passenger may not always agree with the disposition of that particular complaint.

The airlines are now making larger pay outs for lost luggage too—the liability limit was raised from \$1,250 to \$2,500 and we have seen good results.

Now, the airlines also committed to fairness and consistency in “bumping” practices and to make prompt ticket refunds. First, regarding “bumping” passengers on flights that are oversold. We found a need for improvement, especially since the number of people being bumped is increasing. About 15 percent more people were bumped in 2000 than in 1999.

Among other things, the policies about who gets bumped first varied among the airlines, and the compensation limit for those who are involuntarily bumped is seriously inadequate. It has not been changed in over 20 years. We found that passengers who volunteer to be bumped in fact stand a very good chance of receiving greater compensation than passengers who are involuntarily bumped.

Second, the commitment to provide prompt ticket refunds refers to Federal regulations that have been in place for over 17 years. So, we thought we would find high levels of compliance there. For five airlines, our tests showed excellent performance. However, four airlines and two non-ATA airlines were clearly deficient in this area. Enforcement action will be needed if this does not change and change quickly.

We found the customer service areas most in need of improvement are for the three commitment provisions that trigger when there are flight delays or cancellations. One such commitment concerns keeping passengers informed about delays. Another promises to meet “essential” needs during “long onboard aircraft delays.” Another commits to return mishandled or delayed luggage within 24 hours.

The evidence does show significant investment and progress by the airlines in these areas, and improvement is evident, even since our interim report.

But, Mr. Chairman, there are persistent problems here. This is what we found.

Flight displays at airports accurately showed a flight delay or cancellation about 80 percent of the time. In other words, about 20 percent of the time the flight display showed the flight as on time when in fact that flight had been delayed or even canceled. Timely announcements about the status of the delay were made in the gate area 66 percent of the time. When announcements were made, the information provided was adequate about 60 percent of the time. Performance varied by airline, with hubs clearly performing better than non-hubs.

Baggage that did not show up with the passenger was delivered within 24 hours between 58 and 91 percent of the time. Again, performance among the airlines varied.

All airlines have taken steps to accommodate passengers’ “essential” needs during long, on-aircraft delays, which have increased by over 150 percent in the last 5 years. Forty-six thousand flights spent more than 1 hour on the runway last year just waiting to take off.

The trigger threshold for what qualifies as a long on-aircraft delay differs from airline to airline, ranging from 45 minutes on one airline to 3 hours on another. We think it’s unlikely that a passenger’s definition of a long, on-aircraft delay is going to differ materially depending on what airline they are flying.

Now, I would like to say a word about chronically delayed or canceled flights. I think this addresses a comment that all of you made in your opening remarks.

Chronically delayed or canceled flights are those regularly scheduled flights that arrive late or are canceled routinely. The Bureau of Transportation Statistics collects this data. Our analysis of this data showed that regularly scheduled flights that were at least 15 minutes late and/or canceled 80 percent of the time for at least a single calendar month increased from over 8,000 in 1999 to nearly 41,000 in 2000. That is a very substantial increase.

When we identified scheduled flights that were delayed 30 minutes or more and/or canceled at least 40 percent of the time in a single month last year, we found over 240,000 of them representing over 10,300 individual flight numbers affecting nearly 25 million passengers. That represents about one-fifth of all scheduled flights. I think there are some things the airlines can do that are within their control about these flights. For instance, if a particular flight is chronically delayed or canceled, 40 percent or more of the time, it seems to me that the airlines should notify the passenger

of this information without being asked and before the passenger books the flight.

The airline's contract of carriage is an important area because the airline's commitment, while conveying promises of customer service, is not necessarily enforceable by consumers or binding unless it is also incorporated into the contract of carriage. In fact, one airline in its Customer Service Plan stated that the plan did not create any contractual or legal rights.

To protect air travelers, our Interim Report suggested the airlines incorporate the commitments in their contracts of carriage. All of the airlines responded to that suggestion to some degree, and some still are responding, even since the close of our audit work in mid-January.

Today, six airlines have included all of their customer service promises into the contracts of carriage. They are: American, United Airlines, Southwest, Alaska, Delta and Northwest. Three of those incorporated these provisions in just the last several weeks.

But please be aware, Mr. Chairman, that there are differences among the airlines in exactly what they incorporated. There are a number of instances where the contract of carriage appears to be more restrictive than the customer service plan posted on airline web sites.

An area of particular concern to us is when an airline would provide overnight accommodations that are occasioned by a delay or cancellation. Most of the airlines' plans generally State that overnight accommodations will be provided if the passenger is required to stay overnight due to a delay or cancellation caused by the airline as defined by the airline. That is what is in the customer service plan.

However, the contract of carriage for a number of the airlines appeared to limit this to situations such as when a flight was diverted to some unscheduled place and it was the airline's fault that it was diverted, or when a flight delay exceeded 4 hours between the hours of 10 p.m. and 6 a.m. and it was the airline's fault.

We believe the circumstances in which overnight accommodations will be provided need to be tightened up and clarified. It seems only reasonable that the passengers know what to expect when they get caught in one of these big delays.

Finally, Mr. Chairman, a comment about the Department of Transportation's capacity to oversee and enforce consumer rights. The resources that are available to the DOT office responsible for enforcement of consumer protection and unfair competition—that is the General Counsel's Office—are woefully inadequate. So much so that the resources have declined sharply as consumer complaints have quadrupled and flight delays and cancellations, which are their No. 1 consumer complaint, are at record highs. That staff, which numbered 40 in 1985, is down to 17 now. Congress just authorized five more, but they have not been brought onboard yet. Until that situation is changed, Mr. Chairman, the responsible DOT office will not be able to satisfactorily discharge its responsibilities to the traveling public, including its responsibilities for handling complaints by persons with disabilities. Thank you. That concludes my statement.

[The prepared statement of Mr. Mead follows:]

PREPARED STATEMENT OF HON. KENNETH M. MEAD, INSPECTOR GENERAL,
DEPARTMENT OF TRANSPORTATION

Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss airline customer service, which is of enormous importance to the Congress, the Department of Transportation (DOT), Federal Aviation Administration (FAA), and, most importantly the traveling public. Today, I will discuss the results of our work and recommendations for improvement.

As this Committee is well aware, Airline customer service took center stage in January 1999, when hundreds of passengers were stuck in planes on snowbound Detroit runways for up to 8½ hours. Following that incident, both the House and Senate conducted hearings and considered whether to enact a “passenger bill of rights.” Since the January 1999 incident, the state of aviation as measured by delays and cancellations has worsened. For example, the 10 major air carriers reported an increase of nearly 19 percent in departure and arrival delays and over 21 percent in cancellations between 1999 and 2000. A portion of this increase can be attributed to labor problems experienced by at least two air carriers, which disrupted flight schedules.

Following hearings after the January 1999 incident, Congress, DOT, and the Air Transport Association (ATA)¹ agreed that the air carriers should have an opportunity to improve their customer service without legislation. To demonstrate the Airlines’ ongoing dedication to improving air travel, ATA and its member Airlines² executed the Airline Customer Service Commitment (the Commitment),³ on June 17, 1999. Each Airline agreed to prepare a Customer Service Plan (Plan) implementing the 12 provisions of the Commitment.

The Airlines Commit to: Offer the lowest fare available, Notify customers of known delays, cancellations, and diversions, On-time baggage delivery, Support an increase in the baggage liability limit, Allow reservations to be held or canceled, Provide prompt ticket refunds, Properly accommodate disabled and special needs passengers, Meet customers’ essential needs during long on-aircraft delays, Handle “bumped” passengers with fairness and consistency, Disclose travel itinerary, cancellation policies, frequent flyer rules, and aircraft configuration, Ensure good customer service from code-share partners, Be more responsive to customer complaints.

A review of vital statistics places the environment in which we performed our review in context and shows how serious delays and cancellations have become.

- In 2000, over 1 in 4 flights (27.5 percent) were delayed, canceled or diverted, affecting approximately 163 million passengers.

- Not only are there more delays, but those occurring are longer. Of those flights arriving late, the average delay exceeded 52 minutes in 2000.

- Flights experiencing taxi-out times of 1 hour or more increased nearly 13 percent (from 40,789 to 45,993) between 1999 and 2000. Of those flights with taxi-out times of 2, 3, 4, and 5 hours or greater, the largest percentage increase occurred in the 5+ hour category, which more than doubled (from 30 to 79).

Against this backdrop of increasing delays and cancellations, consumer complaints are also rising. The 2000 DOT Air Travel Consumer Report disclosed that complaints for 2000 increased 14 percent (20,438 to 23,381) over complaints in 1999.

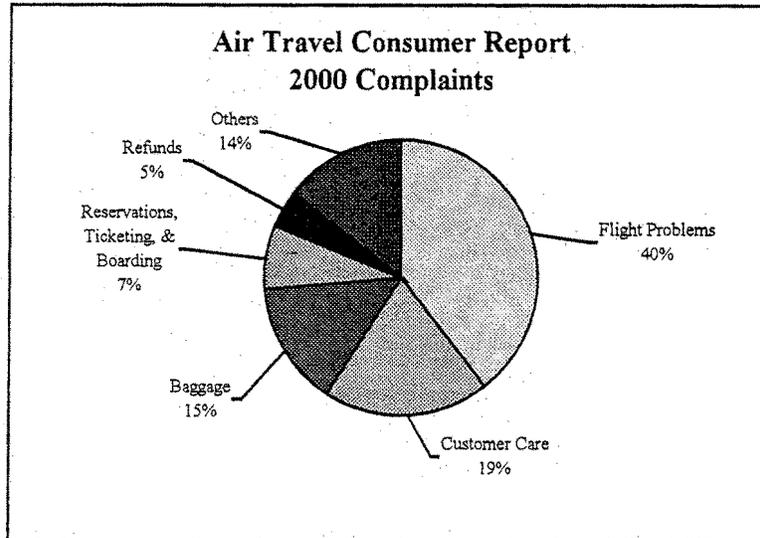
DOT ranks flight problems (i.e., delays, cancellations and missed connections) as the number 1 air traveler complaint, with customer care⁴ and baggage complaints ranked as either number 2 or number 3. As depicted by the chart, 2000 data show that these three types of complaints account for 74 percent of all complaints.

¹The Air Transport Association is the trade association for America’s leading air carriers. Its members transport over 95 percent of all the passenger and cargo traffic in the United States.

²For the purposes of this statement, Airline or Airlines refers to the ATA member Airlines; air carrier refers to airlines in general.

³ATA signed the Commitment on behalf of 14 ATA member Airlines (Alaska Airlines, Aloha Airlines, American Airlines, American Trans Air, America West Airlines, Continental Airlines, Delta Air Lines, Hawaiian Airlines, Midwest Express Airlines, Northwest Airlines, Southwest Airlines, Trans World Airlines, United Airlines, and US Airways).

⁴Complaints such as poor employee attitude, refusal to provide assistance, unsatisfactory seating, and unsatisfactory food service are categorized as customer care complaints.



Last June, we issued an Interim Report⁵ on the 6-month progress of the Airlines in implementing their Plans. The Airlines are just now past the 1-year point in implementing their Plans. We reported our final results in our Final Report on Airline Customer Service Commitment,⁶ on the effectiveness of the Commitment and the individual Airline Plans to carry it out. As directed by the *Wendell H. Ford Aviation Investment and Reform Act for the 21st Century* (AIR-21), our final report includes results for each Airline and recommendations for improving accountability, enforcement, and consumer protections afforded to commercial air passengers.

Our review was conducted between November 1, 1999 and January 17, 2001. During that time we visited and tested implementation of the Commitment provisions at the corporate offices, reservations centers, and the various airport facilities of all 14 ATA Airlines and 3 non-ATA airlines.⁷ We developed protocols for testing each of the 12 Commitment provisions. We observed air carrier operations and tested Commitment provisions at 39 airports. This included observing approximately 550 delayed and 160 canceled flights, reviewing 4,100 claims for mishandled baggage, placing nearly 2,000 telephone calls to reservations centers, reviewing the compensation provided to about 820 passengers who were either voluntarily or involuntarily denied boarding, and observing the treatment of about 380 disabled or special needs passengers.

A number of Airline consolidations are in process. United Airlines has proposed the purchase of U.S. Airways, and American Airlines has proposed the purchase of Trans World Airlines and a portion of U.S. Airways. As a separate review, at the request of the Senate Committee on Commerce, Science and Transportation, we will be looking at the air carrier merger review process with particular focus on how transitional service disruptions and competitive aspects of customer service are considered. Transitional service disruptions, such as computer system integration, crew scheduling, and information flows within companies and with their customers, can have a great impact on customer service.

We are pleased to report that ATA, the Airlines and non-ATA airlines cooperated fully with us during this review. Also, ATA has indicated that the Airlines are open to continued outside assessments about how they are progressing in their implementation of the Commitment, and that the Airlines will support any such effort through the establishment of the necessary internal Airline quality assurance programs.

⁵ Report Number AV-2000-102.

⁶ Report Number AV-2001-020

⁷ AIR-21 requested that our review include non-ATA member airlines. AirTran Airways, Frontier Airlines and National Airlines were selected as the three non-ATA airlines for our review.

RESULTS

Overall, we found the Airlines were making progress toward meeting their Customer Service Commitment and that the Commitment has been a plus for air travelers on a number of important fronts. The voluntary Commitment to customer service and the circumstances under which it was entered into are noteworthy because, based on our observations, it prompted the Airlines to take the matter of improving customer service more seriously.

Also, the Airlines generally were responsive to suggestions made in our Interim Report. But, the Airlines, airports, the FAA and, most important, the traveling public know the aviation system is not working well—the road ahead is long, and aggressive progress will be required by the Airlines, airports, and FAA if consumer confidence is to be restored.

Notwithstanding Airline progress Airlines toward meeting their Customer Service Commitment, we continue to find significant shortfalls in reliable and timely communication with passengers by the Airlines about flight delays and cancellations. Further we find the Airlines' Commitment does not directly address the most deep-seated, underlying cause of customer dissatisfaction—flight delays and cancellations, and what the Airlines plan to do about them in the areas under their control in the immediate term.

Action by the Airlines to reduce flight delays and cancellations in the immediate term is critical because major improvements in providing capacity to meet demand, such as new runways and the fielding of new air traffic control capacity enhancing technology, are not going to be in place for at least the next several years. Spring/summer 2001, when the next major crunch in air travel is likely to occur, is just around the corner.

I would like to provide a more detailed summary of our work with respect to the various Commitment provisions, the Airlines' contracts of carriage, and DOT's ability to oversee and enforce consumer rights.

Provisions for quoting lowest fare, holding nonrefundable reservations, timely responses to complaints, and higher pay-outs for lost baggage. In general, we found the areas where the provisions of the Commitment were working well and where the greatest progress was being made were not directly or necessarily associated with whether a flight is delayed or canceled:

- Quoting the lowest fare, compliance was between 88 and 100 percent of the time for a fixed itinerary.
- Holding nonrefundable reservations without penalty, compliance was between 88 and 100 percent.
- Timely responses to complaints, compliance was between 61 to 100 percent with 13 Airlines between 93 and 100 percent compliant.
- The Airlines supported an increase in the baggage liability limit from \$1,250 to \$2,500 resulting in larger pay-outs for lost luggage.

Over the past year, we also have seen air carriers competing on the basis of customer service through such steps as more legroom between seats, size of overhead baggage compartments, and deployment of portable passenger check-in stations to reduce long lines—measures that go beyond actions required by the Commitment.

Provision regarding properly accommodate disabled and special needs passengers. The Airlines committed to disclose their policies and procedures for assisting special needs passengers and for accommodating the disabled in an appropriate manner. Of the 12 Commitment provisions, we found the Airlines disclosed more detailed information to passengers on this provision than on any other.

Although the Commitment provision addressed disclosing an Airline's policies and procedures, we took steps to also determine if the Airlines and non-ATA airlines were properly assisting disabled and special needs passengers. In over 380 observations, we found that the Airlines and non-ATA airlines were properly assisting disabled and special needs passengers during their time spent at the airport from checking in to boarding the plane. However, it is apparent from the comments we received from an on-line survey as well as the complaints received by DOT, that the Airlines cannot apply enough emphasis to this area, especially by ensuring that employees that assist disabled and special needs passengers are properly trained.

One Airline has attempted to better address the needs of disabled and special needs passengers by establishing an advisory council, which includes disabled individuals. One of our recommendations is that other air carriers consider similar programs.

Provisions regarding fairness and consistency in "bumping" practices and prompt refunds for tickets. Regarding the provision for fairness and consistency in bumping practices on flights that are oversold, we found a need for improvement. Among other things, the rules about who gets bumped first varied among the

Airlines, and the compensation limit for those who are involuntarily bumped is inadequate and has not been changed since 1978. In fact, we found that passengers who volunteer to be bumped stand a good chance of receiving greater compensation than passengers who are involuntarily bumped.

As for the provision in the Commitment to provide prompt ticket refunds, which refers to Federal regulations in place for over 17 years, our tests at five Airlines showed excellent performance. However, four Airlines and two non-ATA airlines were clearly deficient in this area and need to improve their processing of ticket refunds.

Provisions that trigger when there is a flight delay or cancellation. We found the customer service areas most in need of improvement are for those provisions that trigger when there are delays and cancellations. One such provision is to keep customers informed of delays and cancellations, another promises to meet customers' "essential" needs during "extended" on-aircraft delays, and another commits to making reasonable efforts to return delayed or mishandled checked baggage within 24 hours.

The evidence shows significant investment and progress by the Airlines toward meeting these Commitment provisions, and improvement is evident since our Interim Report. Still, there are persistent problems. We frequently found, among other matters, untimely, incomplete, or unreliable reports to passengers about flight status, delays and cancellations as follows:

- *Notify Customers of Known Delays, Cancellations, and Diversions.* In 21 percent of our observations of nearly 550 flight delays nationwide, the flight information display system showed the flight as on time when, in fact, the flight had been delayed for more than 20 minutes; timely announcements about the status of the delay were made in the gate areas 66 percent of the time; and when status announcements were made, the information provided about the delay or cancellation was adequate about 57 percent of the time. Performance varied by Airline and non-ATA airline, with Hubs generally performing better than non-Hub airports.

- *Meet Customers' Essential Needs During Long On-Aircraft Delays.* All Airlines have taken steps to accommodate passengers' "essential" needs during "extended" on-aircraft delays. While there are instances of long on-aircraft delays, we have not seen instances quite as severe as the 1999 Detroit incident. However, we found that the Airlines differ in what qualifies as an "extended" delay. The trigger thresholds for this provision vary from 45 minutes to 3 hours. We think it is unlikely that a passenger's definition of an "extended" on-aircraft delay will vary depending upon which air carrier they are flying. Therefore, Airlines should clarify what passengers can expect during an extended on-aircraft delay.

- *On-Time Baggage Delivery.* Although the majority of bags do show up with the passenger, it is the bags that do not arrive that customers are most concerned about. The Airlines did not commit to a reduction in the number of checked bags not arriving with the passenger. Instead the Airlines committed to make every reasonable effort to return mishandled checked bags within 24 hours. During our testing, baggage that did not show up with the passenger was delivered within 24 hours 58 to 91 percent of the time. Again, performance among the Airlines and non-ATA airlines varied.

In addition, DOT's method for reporting mishandled bags in the Air Travel Consumer Report should be revised to more accurately reflect the number of bags that do not arrive with passengers. Currently DOT reports the number of *baggage claim reports* per 1,000 passengers on domestic flights. This includes passengers who did not check bags, which on some flights may be more than half the passengers. Also, a baggage claim report can cover more than one mishandled bag. A more accurate method for calculating mishandled baggage would be the number of mishandled bags per 1,000 bags checked by passengers.

Since air travelers in 2000 stood a greater than 1 in 4 chance of their flight being delayed, canceled, or diverted, we believe the Airlines should go further and address steps they are taking on matters within their control to reduce over-scheduling, the number of chronically delayed and/or canceled flights, and the amount of checked baggage that does not show up with the passenger upon arrival.

According to Bureau of Transportation Statistics (BTS), chronically delayed and/or canceled flights are those *regularly scheduled flights*⁸ that arrived at least 15 minutes later than scheduled and/or were canceled at least 80 percent of the time during a *single calendar month*. For example, according to BTS data, in December

⁸A regularly scheduled flight is a flight segment representing a city-pair (e.g., Chicago to Miami).

2000, one flight was either delayed or canceled 27 of the 31 days it was scheduled to operate. In this case, the flight was delayed or canceled 87 percent of the time.

Our analysis of BTS data found *regularly scheduled flights* that were at least 15 minutes late and/or canceled 80 percent of the time increased from 8,348 to 40,868 (390 percent) between 1999 and 2000.⁹

Using BTS data, we increased the amount of arrival delay to 30 minutes or more and identified all *scheduled flights* that, when grouped by individual flight number, were delayed and/or canceled at least 40 percent of the time during a single calendar month. Overall, for calendar year 2000, we identified over 240,000 *regularly scheduled flights* that met our criteria (representing over 10,300 individual flight numbers affecting approximately 25 million passengers).

Currently, the Airlines are required to disclose on-time performance only upon request from the customer. Passengers should not have to ask when making a reservation if the flight is chronically delayed or canceled 40 percent of the time or more; the Airlines should notify the passenger of this information without being asked.

Airline mitigation measures in the above areas will not solve the delay and cancellation problem since it is caused by multiple factors, some outside the Airlines' control. Nevertheless, the Airlines should be doing their part.

For both the short and long term, the Airlines' Commitment to customer service must be combined with comprehensive action to increase system capacity to meet demand. FAA's efforts to modernize air traffic control through new technology, satellite navigation at airports, airspace redesign and, importantly, new runways will be central elements in any successful effort to add capacity and avoid gridlock.

Contract of Carriage. In our Interim Report, we noted that the Airlines' Commitment, while conveying promises of customer service, was not necessarily legally enforceable by consumers unless these protections were also incorporated into an Airline's contract of carriage, which is a binding and legally enforceable contract. In fact, one Airline explicitly said as much in its Customer Service Plan.

In our Interim Report, we recommended that the Airlines ensure that their contracts of carriage are changed to fully reflect the benefits afforded by their Plans and the Airlines' Commitment to customer service. Our review of the 14 Airlines' contracts of carriage showed that as of January 17, 2001, all of the Airlines responded to this recommendation to some degree. For example:

- Three of the 14 Airlines incorporated the entire text of their Plans into their contracts of carriage.
- Eleven of the 14 Airlines incorporated the Commitment provision to inform the customer of delays, cancellations, and diversions into their contracts of carriage; 8 of the 14 Airlines incorporated the Commitment provision to meet customers' essential needs during extended on-aircraft delays.
- Eleven of the 14 Airlines incorporated the Commitment provision for quoting the lowest fare; 12 Airlines incorporated the provisions for holding a nonrefundable reservation for 24 hours and for returning misrouted or delayed baggage within 24 hours; and all Airlines incorporated the baggage liability limit increase, which is required by Federal regulation.

Some Airlines have included additional Commitment provisions in their contract of carriage, since our audit was completed.

There were differences among the Airlines in exactly what they decided to incorporate, and we found instances where the contract of carriage placed limits on what appeared to be a more expansive provision in the Plan. An area of particular concern is when an Airline will provide overnight accommodations occasioned by a delay or cancellation. Most of the Plans said generally that overnight accommodations would be provided if the passenger was required to stay overnight due to a delay or cancellation caused by the Airline's operations (as defined by the Airline). However, the contract of carriage for seven Airlines appeared to limit this to situations such as when a flight was diverted to an unscheduled destination or a flight delay exceeded 4 hours between the hours of 10:00 p.m. and 6:00 a.m. The circumstances in which overnight accommodations will be provided needs clarity so that passengers will know what to expect.

Consumer Protection by the Department of Transportation. Oversight and enforcement of consumer protection and unfair competition laws and regulations are the responsibility of the DOT.

We found the resources available to the Department to carry out these responsibilities to the traveling public are seriously inadequate—so much so that they had declined at the very time consumer complaints quadrupled and increased to record

⁹Our intent is not to attribute the cause of the delays or cancellations associated with these flights to the Airlines, but to highlight the extent to which such flights are occurring.

levels—from roughly 6,000 in 1995 to over 23,000 in 2000. Nearly 20 staff are assigned these functions today, down from 40 in 1985. Until this situation is changed, the responsible DOT office will not be able to satisfactorily discharge its consumer protection responsibilities, including the duties assigned to it for investigating complaints involving disabled airline passengers.

RECOMMENDATIONS FOR IMPROVING ACCOUNTABILITY, ENFORCEMENT AND THE PROTECTIONS AFFORDED COMMERCIAL AIR TRAVELERS

Over the past year, the Office of Inspector General made three recommendations to the Secretary of Transportation and the Federal Aviation Administration that were directed at the capacity, delay, and cancellation problems, which are key drivers of customer dissatisfaction with Airlines. These recommendations are repeated below.

- **Establish and implement a uniform system for tracking delays, cancellations, and their causes.** In the final months of the prior Administration, a Task Force appointed by the former Secretary made recommendations to accomplish this. These recommendations still need to be implemented.

- **Develop capacity benchmarks for the Nation's top 30 airports. This will provide a common framework for understanding what maximum arrival and departure rate can physically be accommodated by airport, by time of day under optimum conditions.** A set of capacity benchmarks is essential in understanding the impact of air carrier scheduling practices and what relief can realistically be provided by new technology, revised air traffic control procedures, new runways, and related airport infrastructure. FAA has committed to implementing this recommendation.

- **Develop a strategic plan for addressing capacity shortfalls in the immediate, intermediate, and long term.** These three points in time are important because the new runways or airports or air traffic control technology that may be in place 2, 5, or 10 years from now hold promise for the future, but offer limited or no bottom-line relief in the immediate term. Actions that are necessary in the short term may become unnecessary in the longer term with the addition of, for example, new runways. An immediate issue is scheduling, at peak travel times, flights beyond the established physical capacity of the airport and air traffic control system under optimum conditions. The dilemma an individual Airline faces is if it takes action and reduces flights, would competitors fill those slots, resulting in no change in the overall flight scheduling at the airport.

New Recommendations

Our report includes recommendations where we found room for improvement or the need for corrective action, as follows.

Department of Transportation Aviation Consumer Protection. We recommend a significant increase in the resources allocated to the Department of Transportation division responsible for consumer protection and a corresponding increase in the oversight and enforcement of laws and regulations that protect air travelers. Resources allocated for consumer protection have declined significantly—all at a time when consumer complaints and flight problems have reached record highs.

Airline Customer Service Commitment. For the recommendations that follow, Congress in its consideration of Passenger Bill of Rights issues and how to effectuate change has the option of first giving the Airlines the opportunity to take action within a fixed time period to revise, modify, or add to the Customer Service Commitment voluntarily. We note that for significant regulatory proceedings in 1999, DOT took an average of 3.8 years to issue the final rule.¹⁰ The Department concurred that corrective action was needed to expedite the pace of its rulemaking and announced an action plan to do so. This action plan must still be implemented.

1. **Adoption of Airline Customer Service Commitment by all U.S. air carriers.**

2. **Make Airline Customer Service Commitment provisions enforceable under the contract of carriage or by regulation, including the provisions to offer the lowest fare for which the passenger is eligible; hold or cancel a reservation; accommodate passengers delayed overnight; and meet customers' essential needs during long on-aircraft delays.**

3. **Add a commitment under which the Airlines must (A) establish a quality assurance and performance measurement system; and (B) conduct an**

¹⁰Department of Transportation's Rulemaking Process, Report No. MH-2000-109, issued July 20, 2000

internal audit to measure compliance with the Commitment and Customer Service Plan provisions. The quality assurance system as well as the results of the internal audit will itself be subject to audit by the Federal Government. Twelve Airlines have already established such a system that covers the Commitment in whole or in part.

4. Commitment Provision—Offer the lowest available fare.

- Airlines that have not already done so, offer the lowest fare available for reservations made, not just through Airline telephone reservations systems, but for reservations made at the Airlines' city ticket offices and airport customer service counters.

- Our Interim Report suggested that Airlines notify customers that lower fares may be available through other distribution systems, such as the Airlines' Internet sites. On October 20, 2000, DOT issued an order requiring this to be done, and in general the Airlines are complying. Further recommendations on this point are not necessary.

5. Commitment Provision—Notify customers of known delays, cancellations, and diversions.

- Airlines establish in the Commitment and their Customer Service Plans targets for reducing the number of chronically delayed (i.e., 30 minutes or greater) and/or canceled flights. This should be a short-term measure only to avoid a repeat of spring/summer 2000 and not a way of avoiding the larger issue of expanding capacity to meet demand such as through new runways and technology.

- Airlines should also provide, through existing Internet sites, the prior month's on-time performance rate for each scheduled flight.

- Disclose to customers, at the time of booking and without being asked, the prior month's on-time performance rate for those flights that have been consistently delayed (i.e., 30 minutes or greater) and/or canceled 40 percent or more of the time.

- The Office of Aviation Enforcement and Proceedings, in coordination with BTS, include a table in the Air Travel Consumer Report of those flights consistently delayed (i.e., 30 minutes or greater) and/or canceled 40 percent or more of the time for 3 consecutive months.

- The Airlines that have not already done so should implement a system that contacts passengers prior to arriving at the airport when a known, lengthy flight delay exists or a flight has been canceled.

- Ensure delay information is updated in real-time on Airlines' monitors and on the airport master flight information display monitors; ensure that gate agents make timely announcements regarding the status of the delay; and ensure that the best known information about the delay, including the cause and estimated time of departure, is provided to the passengers being affected.

- Clarify the customers' rights when put in an overnight situation due to delays, cancellations, or diversions by making the contracts of carriage consistent with their Plans. In doing so, we urge the Airlines not to back off accommodations they made in their Plans. The reason we surfaced this issue was that at least one Airline, in its Plan, has stated that the Plan does not create contractual or legal rights.

6. Commitment Provision—On-time baggage delivery (this provision actually commits the Airlines to make every reasonable effort to deliver checked baggage within 24 hours if it does not show up when the passenger arrives).

- Our Interim Report suggested that the Airlines clarify that the 24-hour clock begins upon receipt of the customer's claim, and all the Airlines have done so. Further recommendations on this point are not necessary.

- Strengthen the Commitment to require the Airlines to set performance goals for reducing the number of mishandled bags.

- Develop and implement systems to track the amount of time elapsed from the receipt of the customer's baggage claim to time of delivery of delayed or misrouted baggage to the passenger, including the time from courier to final delivery to the passenger.

- For the Airlines that have not already done so, provide a toll-free telephone number so passengers can check on the status of checked baggage that did not show up on the passenger's arrival.

- Petition the DOT to calculate the rate of mishandled baggage on the basis of actual checked baggage (not on the total number of passengers), and the actual number of mishandled bags (not the number of claim reports).

7. **Commitment Provision—Support an increase in the baggage liability limit.**

- The Airlines agreed to increase the baggage liability limit (from \$1,250 to \$2,500 per passenger) and DOT made the increase a requirement of law. We are making no recommendations regarding this commitment.

8. **Commitment Provision—Allow reservations to be held or canceled.**

- Our Interim Report suggested the Airlines disclose to the consumer that they have the option of canceling a nonrefundable reservation within the 24-hour window following booking. All Airlines revised their policies to require such disclosure. We are making no further recommendations regarding this commitment.

9. **Commitment Provision—Provide prompt ticket refunds.**

- The rules governing prompt refunds have been in effect for over 17 years. We found no need to change the rules, but based on the levels of compliance identified in our review for some Airlines, we recommend that the Secretary of Transportation direct the Office of Aviation Enforcement and Proceedings to strengthen its oversight and take appropriate enforcement action in cases of noncompliance.

10. **Commitment Provision—Properly accommodate disabled and special needs passengers.**

- We would encourage the Airlines to continuously improve the services provided air travelers with disabilities and special needs, especially for those services provided at the airport beginning with the check-in process, on to the passenger security screening process (especially for those air travelers in wheelchairs), and during the boarding process.

- Airlines should also consider establishing advisory councils, which include disabled individuals, to help better address the needs of disabled and special needs passengers.

11. **Commitment Provision—Meet customers’ “essential needs” during “long” on-aircraft delays.**

- The Airlines should clarify in their Plans what is meant by an extended period of time and emergency, so passengers will know what they can expect during extended on-board delays, and ensure that comprehensive customer service contingency plans specify the efforts that will be made to get passengers off the aircraft when delayed for extended periods, either before departure or after arrival.

12. **Commitment Provision—Handle “bumped” passengers with fairness and consistency.**

- Petition DOT to amend its regulation to establish a uniform check-in deadline as to time and place, and require all air carriers to disclose in their contracts of carriage and ticket jackets their policies on how check-in deadlines apply to passengers making connections.

- Airlines who hold out that “volunteers who give up their seats to other customers will be compensated equally on the same flight” should ensure that all volunteers on the same flight are compensated equally.

- Petition DOT to increase the monetary compensation payable to involuntarily bumped passengers. The limit has not changed since 1978.

- Disclose orally to passengers what the Airline is obligated to pay involuntarily bumped passengers in advance of making offers to passengers to voluntarily relinquish their seats.

- DOT clarify “fairness and consistency” by defining and providing examples of what it considers to be “any undue or unreasonable preference or advantage” and “unjust or unreasonable prejudice or disadvantage” in air carrier priority rules or criteria for involuntarily “bumping” passengers.

13. **Commitment Provision—Disclose travel itinerary, cancellation policies, frequent flyer rules, and aircraft configuration.**

- Petition DOT to require that each Airline with a frequent flyer program make available to the public a more comprehensive reporting of frequent flyer redemption information in its frequent flyer literature and annual reports, such as the percentage of successful redemptions and frequent flyer seats made available in the Airline’s top origin and destination markets. Current Airline information on frequent flyer mileage redemptions is not readily available and is very limited in the type and amount of information provided. It has limited value to the consumer for purposes of determining which frequent flyer mileage program to enroll in based on the percentage of successful redemptions and frequent flyer seats made available in the Airlines’ top origin and destination markets.

14. **Commitment Provision—Ensure good customer service from code-share partners.**

- The Airlines that have not already done so should conduct annual internal audits of their code-share partners' compliance with the Commitment.

15. **Commitment Provision—Be more responsive to customer complaints.**

- Overall, the Airlines are taking this commitment seriously and generally were responding substantively to complaints well within the required 60-day timeframe. We are making no recommendations regarding this commitment.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions you or other members of the Committee might have.

AIRLINE CUSTOMER SERVICE COMMITMENT, JUNE 17, 1999

The Airlines Commit to: (1) Offer the lowest fare available; (2) Notify customers of known delays, cancellations, and diversions; (3) On-time baggage delivery; (4) Support an increase in the baggage liability limit; (5) Allow reservations to be held or canceled; (6) Provide prompt ticket refunds; (7) Properly accommodate disabled and special needs passengers; (8) Meet customers' essential needs during long on-aircraft delays; (9) Handle "bumped" passengers with fairness and consistency; (10) Disclose travel itinerary, cancellation policies, frequent flyer rules and aircraft configuration; (11) Ensure good customer service from code-share partners; (12) Be more responsive to customer complaints.

The CHAIRMAN. Thank you very much, Mr. Mead.
Ms. Hallett.

**STATEMENT OF CAROL B. HALLETT, PRESIDENT AND CEO,
AIR TRANSPORT ASSOCIATION OF AMERICA**

Ms. HALLETT. Thank you, Mr. Chairman and Members. We particularly appreciate the opportunity to discuss the Inspector General's report on the airline voluntary customer service commitment this morning. I do request that my written statement be placed in the record, Mr. Chairman.

The CHAIRMAN. Without objection.

Ms. HALLETT. First, I would like to acknowledge not only the fairness, but the objectivity that was presented in Mr. Mead's report and to recognize the enormous efforts of his office in preparing this document.

It would, at the same time, be an oversight if I did not also recognize the tremendous efforts by each of our carriers and their employees.

As Mr. Mead outlined, solid progress has been made since the interim report was released last June, but work remains to be done. We agree and we remain committed to improving upon our performance.

Mr. Chairman, prior to your focus on today's subject, the airline industry was just not paying enough attention to customer service. We clearly were not focused on what the passenger wanted or deserved.

In 1999, we heard your concerns and those of your colleagues and our customers. We are working very hard to meet customer demands. It is not easy pleasing over 665 million passengers each year, but we are trying.

As I recall, Mr. Chairman, you have said in the past that it does not cost anything to tell the truth. We agree. Telling the truth will not increase the cost to our airlines. It is not that we have not been

telling the truth. We just need to keep our customers better informed and we remain committed to this.

I do not believe the answer is a one-size-fits-all approach. That is just bad for both customers and airlines. This is obviously a very complicated industry. It is important that we fix the issues that we can fix such as better communications about flight delays and other matters.

Even with delay problems facing the industry, the constantly increasing number of passengers continues. It is becoming even more important for all of us in the industry to put in place the welcoming mechanisms for these people so that we can give them the service they want and deserve. It is the right thing to do.

To improve customer service and restore customer confidence, carriers are more focused now than ever before. We must continue to assure our customers that we will do everything in our power to keep their interests as our No. 1 priority along, of course, with safety.

Since the inception of the program, our carriers have already spent over \$3 billion to improve customer service, with several carriers already going above and beyond the 12 point commitment.

Let me also echo again Mr. Mead's concerns regarding the root cause of customer frustration—flight delays and cancellations. As the report states, and I quote, "The progress made this past year is often obscured when the traveling public experiences widespread delays and cancellations."

The voluntary commitment was intended to deal with how we as an industry react to this growing problem. However, when the 25,000 daily departures are coupled with an increasing number of delays and cancellations, providing updated information to both customers and employees is extremely complex by any definition.

A number of carriers are upgrading their communications systems. Others are making efforts to contact passengers of known delays and cancellations before they arrive at the airport. Several carriers have found ways or are testing systems to integrate their operations and reservation systems to provide more rapid, accurate and reliable information to passengers.

Bottom line, we believe a dual approach is warranted to deal with passenger frustration associated with delays and cancellations. Our voluntary commitment to make every effort to address the resultant effects caused by delays and cancellations.

At the same time, we stand ready to work with this Committee to deal with the root causes of these frustrations by expediting the modernization of our air traffic control system and to streamline the process for constructing new runways.

I'm encouraged, Mr. Chairman, that you, Senator Stevens, Senator Brownback and others are looking into this particular issue.

According to the FAA, the number of passengers traveling by airplane will increase by 42 percent in the next 7 years. We will need an additional 2,500 aircraft to transport these people. If we fail to accelerate the ATC modernization program or fail to build new runways, the increased traffic will result in a 250 percent increase in delays and obviously an increase in passenger frustrations as well.

We fully recognize our responsibility to restore consumer confidence in our customer service. We believe that by working to-

gether, airlines, airports, the FAA, and Congress, we can modernize our air traffic control system and streamline the runway construction process to increase capacity.

Mr. Chairman, the flexibility provided in a voluntary approach to improving customer service continues to be a catalyst that is encouraging the innovation and creativity among airlines. As each carrier monitors its own internal measurements for corrective action or recurrent training of employees, we will continue to see improvements in customer service and passenger satisfaction.

In closing, let me make one final point. In the 1950's as cars replaced railroads as the mass transportation mode, we recognized that building an interstate highway system would require significant sacrifice and disruption to many. But we did it and the public has realized enormous benefits.

Now, in the year 2001, the same commitment is required to create the infrastructure for the aviation system we need. If we are to keep the people and goods flowing across America and around the world.

Thank you, Mr. Chairman, and I look forward to responding to your questions.

[The prepared statement of Ms. Hallett follows:]

PREPARED STATEMENT OF CAROL B. HALLETT, PRESIDENT AND CEO,
AIR TRANSPORT ASSOCIATION OF AMERICA

Mr. Chairman and Members of the Committee, I appreciate the opportunity to address the recently released Department of Transportation Inspector General's final report concerning the Air Transport Association's (ATA) member airlines "Customers First" program.

The airline voluntary commitment was a direct result of this Committee's concerns about the level of customer service in the airline industry. We appreciate the fact that the Committee has given us an opportunity to address this issue without the intervention of federal rules and inflexible regulations. We also acknowledge the fairness and objectivity represented in Mr. Mead's report and we recognize the enormous efforts of his office in preparing this document.

As announced in our voluntary agreement on June 17, 1999 and later included in P.L. 106-81, carriers were required to submit and implement their individual plans to the Committee and the Department of Transportation Inspector General by September 15, 1999 and December 15, 1999 respectively. As you know, the fourteen signatories all provided and implemented their own plans in the required time frames.

Carriers have their individual plans on each of their Internet web sites, at their ticket offices, and at airports, so that passengers can familiarize themselves with each carrier's customer service policies and procedures.

In addition, earlier this year, the Air Transport Association launched a new Web site which also supplies downloadable files of each carrier's voluntary service plan, and gives examples of specific improvements since the programs were announced in 1999.

As the Inspector General's final report points out, our carriers have made solid progress in several areas since the interim report was released in June of 2000. Our carriers have incorporated the recommendations included in the interim report and continue to adjust, develop, and make improvements to their plans.

The fourteen ATA member carriers have made a recommitment to customer service and have employed these plans as a competitive tool, which is a positive development for the passenger. Carriers have gone above and beyond the commitment in several areas. For example, some carriers have removed seats from their planes to enhance legroom, enlarged overhead bins onboard aircraft, developed technological equipment to expedite the check-in process, employed equipment and personnel to reduce long lines at airport ticket counters during peak hours, and other significant positive steps.

The Inspector General's final report suggests that progress has been made in the area of customer service and that more work needs to be done. We share this view and remain committed to improving upon our performance.

In fact, since the inception of the voluntary program our carriers have spent over \$3 billion to improve customer service.

Moreover, the IG's report properly focuses attention on the root cause of customer frustration—flight delays and cancellations. As the report states, "The progress made this past year is often obscured when the traveling public experiences widespread delays and cancellations." Although the airline voluntary commitment does not directly address these concerns, it does address how we react to this growing problem.

With the enormous amount of daily operations coupled with an increasing number of delays and cancellations, providing updated information to both customers and employees is extremely complex by any definition. In order to help provide our customers with timely and accurate information of known delays and cancellations, a number of our carriers have begun to upgrade their communications systems. Others are making efforts to contact passengers of known delays and cancellations before they arrive at the airport. Several carriers have found ways or are currently testing systems that will integrate their operations and reservation systems in order to provide more rapid, accurate and reliable information to passengers.

We believe a dual approach is warranted to address passenger frustrations associated with delays and cancellations. Our voluntary commitment makes every effort to address the resultant effects caused by delays and cancellations.

The Air Transport Association and its member carriers stand ready to work with this Committee in order to address the root causes of these frustrations by expediting the modernization of our federal government's air traffic control system and to streamline the process for constructing new runways.

Mr. Chairman, 665 million people took to the skies on U.S. airlines in 2000. We have twenty-five thousand flights depart every day in this Country. As you well know, the complexities involved in transporting millions of people in a safe and convenient way is an enormous challenge.

According to the Federal Aviation Administration, the number of passengers traveling by airplane will rise by 42 percent in the next seven years. We will need an additional 2,500 aircraft to transport these people. If we do nothing, this increased traffic will result in a 250 percent rise in delays and an increase in passenger frustrations as well.

ATA's member carriers will continue to work to restore consumer confidence in the area of customer service. Together, airlines, airports, the Federal Aviation Administration, and Congress must continue to address the inadequacies associated with our air traffic control system and airport infrastructure.

Mr. Chairman, the flexibility provided in a voluntary approach to improving customer service continues to be a catalyst that is encouraging innovation and creativity among the airlines. As each carrier monitors its own internal measurements over time, which will allow for corrective action or recurrent training of employees, we will continue to see improvements in customer service and passenger satisfaction.

We appreciate the opportunity this Committee has provided the airline industry to refocus its efforts on providing quality customer service to all of our passengers. We certainly agree with the Committee that the free market system is the proper place to sufficiently address such issues.

The CHAIRMAN. Thank you very much, Ms. Hallett. Mr. Mead, we have a big sign there that even I can read in front of the desk. So let us start out by giving them a grade. I believe this was generated by Ms. Hallett, was it not? Ms. Hallett, this board in front of the desk?

Ms. HALLETT. I am not familiar with it.

The CHAIRMAN. OK. Let us start out by giving some grades, OK? No. 1, offer the lowest fair available. A, B, C, D, F.

Mr. MEAD. A on fixed itinerary. B on flexible itinerary.

The CHAIRMAN. Notify customers of known delay, cancellations and diversions.

Mr. MEAD. I would have to say they get a C+, B for effort, D overall for performance. Not too many get above 60 or 70 percent compliance.

The CHAIRMAN. On time baggage delivery.

Mr. MEAD. B. Well, let me clarify there, sir. This commitment is probably misnamed. They should change that. It says on time baggage delivery. But the commitment really is for delivery of bags that did not show up with the passenger. On that, I would give them a B.

The CHAIRMAN. Support an increase in the baggage liability limit.

Mr. MEAD. They get an A on that because that is now law, sir.

The CHAIRMAN. Allow reservations to be held or canceled.

Mr. MEAD. A.

The CHAIRMAN. Provide prompt ticket refunds.

Mr. MEAD. Half the airlines an A, two or three a B, a number of others I would say D or F.

The CHAIRMAN. That reminds me of a point I think we may have to start identifying these airlines since we do identify airlines by other criteria and we may on these since clearly some of these results are somewhat mixed.

Mr. MEAD. Sir, may I say why I gave that low grade? Because when you look at the statistics, some airlines provided prompt refunds 60 or 70 percent of the time. But I think we need to keep in mind that \$100 or \$150 to a lot of people is a fair amount of money. When you do not take a flight, and it is a refundable fare, you want your money back. If the law says you should have a refund in 20 days and you do not get it for 30 or 40 days, that can be a lot of money to some people. That's why we think since this law has been in effect for 17 years that we should expect a higher level of compliance.

The CHAIRMAN. Properly accommodate disabled and special needs passengers.

Mr. MEAD. From what we saw, sir, I would say a B.

The CHAIRMAN. Meet customers' essential needs during long, on-flight delays.

Mr. MEAD. C.

The CHAIRMAN. Handle bumped passengers with fairness and consistency.

Mr. MEAD. Well, the airlines are all doing what the rules allow, but I think there is a problem with the rules here. There seems to me to be something wrong when the people that voluntarily get off the plane are consistently getting more money or compensation, which is allowed under the present law.

Also, I think some clarity needs to be brought to the fact that some airlines say that the way you get bumped is whoever shows up last gets bumped involuntarily. Three airlines, say that, but if you are a first class passenger or a member of their frequent flyer program, you are going to get preferential treatment when it comes to who gets bumped first. I think it is a matter of judgment whether that is a reasonable distinction to make or not, sir.

The CHAIRMAN. Disclose travel itinerary, cancellation policies, frequent flyer rules and aircraft configuration.

Mr. MEAD. I give them an A or a B on disclosing aircraft configuration, cancellation policies, and change of gauge flights, which occur when you travel under one flight number but you have to change planes. When it comes to frequent flyer reports, the rules are clear enough. They are all disclosed. But I think what that

commitment had at its core was a desire to get information to consumers about which frequent flyer programs were better than others. I do not believe it has met that at all. It is very difficult to tell.

For example, you cannot tell from looking at these reports how many frequent flyer miles are redeemed in the airline's own top origin or destination markets. If you do not have that information, it is very hard to do comparison shopping.

The CHAIRMAN. Ensure good customer service from code-share partners.

Mr. MEAD. B or A.

The CHAIRMAN. Be more responsive to customer complaints.

Mr. MEAD. A.

The CHAIRMAN. Ms. Hallett, according to a new air hassle index by the AAA, despite a commitment by the airlines to improve customer service, most AAA air travelers say they have fallen short. In AAA's first air hassle index survey, 84 percent of AAA members who travel by air in the last 6 months felt that customer service was worse or had not improved during that period. Does that not present you with a problem?

Ms. HALLETT. It does present me with a problem, Mr. Chairman. It is particularly disappointing in view of the comments made by the Inspector General that there has been—and I think I would say that this was an accurate assessment that we had improved. I look at this as a blueprint for our continued action. I believe that in any particular poll that comes out from any group, you obviously have to look at it and ask the questions as to how did they arrive at such a high rate? It concerns me. It is something that I do believe we have done a better job than we are given credit for in that particular poll. Do we have a way to go? Absolutely. But we are working very hard at it.

The CHAIRMAN. Mr. Mead, Senator Wyden in his opening comments made reference to the fact that, as you well know, last year I and others had introduced legislation for an airlines passengers bill of rights. After a couple of false starts, the airlines made certain commitments. Most of them we just reviewed there.

In return for those commitments, I—speaking only for myself—did not pursue legislation at that time because I thought it was fair to give the airlines an opportunity to voluntarily comply with what were basic fundamental passenger rights.

Do you believe that after this review of yours and well over a year has passed, do you think that we need legislation? Or do you think that we ought to hold off for a period of time? Or do you think that they are making progress in the right direction at least as far as their area of responsibility is concerned?

We repeat over and over again that lack of concrete, modernization of the air traffic control system, et cetera, are still major areas that we have to address that contribute substantially, enormously to the airline passenger complaints.

Mr. MEAD. I guess, sir, it is not responsive to your question to say that is a Congressional judgment. First, I think it is unfair to characterize what the airlines have done as no progress. That is clearly not what we found. There has been progress. The commit-

ment got their attention. The circumstances under which it was entered into got their attention.

I do think that it is important that the airlines be sent a message that this is an area of enormous importance to the Congress and there are some ground floor expectations that need to be met.

I would counsel the Congress to avoid getting down in the weeds and trying to legislate good service. I think good service is a tough thing to legislate.

At the same time, in our report we have a lot of recommendations. A number of those recommendations cannot be implemented except eventually through either law or regulation. For example, increasing compensation for bumped passengers, and disclosing to people at the time of booking and without being asked that flights are chronically delayed 40 percent of the time or more. These and a number of others will eventually have to be in regulations.

I think the disclosure requirements are things that should be uniform. We should be consistent in what we are expecting of the airlines. That area probably does lend itself to legislation.

Another area that you would want to leave to the airlines is, for example, if a flight is delayed on a runway at what point exactly should that flight be expected to return to the gate.

In addition, we are recommending that all airlines establish quality assurance systems to monitor and audit their own compliance with their pledges. I think it is good for the airlines to know that Congress expects that to be done. But I would counsel the Congress to stay away from specifying the exact details of that. Is that helpful?

The CHAIRMAN. It is very helpful. I also feel that it is important that if we move forward with legislation that we ought to be very careful how much authority we give to the Department of Transportation. Their record has not been exemplary, at least in my mind.

Mr. MEAD. No. In fact, we point out in our report that if you go the regulation route, the Department's track record is 3.8 years to get a regulation through. I spoke to Secretary Mineta on this issue yesterday. Actually, he raised it at the senior staff meeting and said he wants that changed and changed quickly.

At the same time, an issue that I have difficulty coming to grips with is in the commitments, the airlines have moved a lot of their customer service provisions into the contract of carriage. But when it comes, for example, to meeting essential needs during long delays, the airlines have incorporated provisions that say a long delay is 45 minutes in one airline, while another airline says, it is 3 hours. It seems that we have to have some minimum level of consistency and beyond that let the airlines compete.

The CHAIRMAN. Senator Wyden.

Senator WYDEN. Thank you, Mr. Chairman. I just want to follow up on your very good questions. On this point of sending a message, Mr. Mead, I think it is clear that the only way you are going to send a message now is through Congressional action. Because in effect you are off the beat. You do not have the resources in order to be able to do these reports every year or every 18 months. I think it is clear now if we are going to send a message, it has got to be through Congressional action.

On this question of actually enforcing the rights of passengers, I would like your thoughts on whether it is better to go the Federal route or to go the State route. My colleagues have differences of opinion on it.

In my legislation, I am inclined to make these violations, violations that we are going to spell out in the bill, an unfair, deceptive consumer practice. So that they could be enforced at the Federal level. You just told Chairman McCain that the Federal Government has not done a particularly good job at it. Which means—and some of my colleagues have suggested this—that these rights ought to be enforced at the State level. That we ought to create an opportunity for the consumers to be protected at the State level. How do you compare this question of enforcement, Federal versus state?

Mr. MEAD. First, I believe some of these issues are intensely Federal issues and it is a default of the Federal Government's responsibility not to have a reasonably robust staff that is going to enforce the laws. As our report points out, they do not have the adequate resources to meet that expectation by a long shot at the present time. I do not think the answer to that situation is to say, let the states handle this.

At the same time, the contract of carriage is a contract between the airline and the passenger and is enforceable by the passenger, in State courts I believe, if they choose to go that route.

Conversely, if an airline takes 30 extra days, in other words, you wait 50 days to get your refund and should have gotten it in 20, it is extremely unlikely that the passenger is going to file a lawsuit to get the refund. I mean, what are the damages? The damages are essentially an interest issue.

In that case, I think you need a Federal agency that is going to examine the situation to see if the refund problem is systemic with that airline and to take a broad based enforcement action, which the consumer cannot do.

Senator WYDEN. Ms. Hallett, will you oppose what Mr. Mead said was required? He said that there will be instances where you need a Federal enforcement action. Will you oppose him on that if we put that in our bill?

Ms. HALLETT. Well, Senator, in actuality, in many of these cases, there already is a Federal law. A good example is in the scheduling and chronically delayed flights. We know that many thought that the DOT's on time reporting requirements that were implemented over a decade ago would actually resolve this problem. Obviously, that is not the case. I think it is fair to say that with the tough years that we have experienced over the past couple, 3 years, with labor problems, with severe weather, the IG's report clearly points out that these are areas that we need to do a better job in. We will explore them. I would not want to speak on behalf of all of the airlines until we actually discuss this with them. I would like to make a comment, however, as it relates to State legislation.

If you were to take all 50 states and each State wrote laws differently, the impact on the airlines would be enormous. It would most certainly result in an increase in the cost of fares to the passengers because of the cost of dealing with so many different laws in each state. If there are going to be laws, it is far preferable that they be at the Federal level. While we do not believe that legis-

lating is really going to bring about as much good change as a voluntary approach will provide. I believe this first year of a voluntary program has really demonstrated that.

Again, I mentioned in my original comments, one size does not fit all. The creativity as well as the enormous amount of competitive effort that has gone into this program I believe is another reason why legislation is not desirable.

Senator WYDEN. Well, just pardon me if I am skeptical. We have gone for 18 months now. When we started this, you denied there was a problem. You said it was anecdotal. We showed that there was a problem. You said no legislation. Make it voluntary.

When Mr. Mead came out with his first report, you said it was the FAA's fault. I guess I have heard this bottomless pit of excuses now for 18 months. It seems to me you said do not go the State route. Frankly, I am sympathetic to that argument as long as we have enforceable protections at the Federal level so that the Department of Transportation with an adequately staffed agency can bring enforcement actions. I heard you saying that you did not really want to give consumers those rights either.

So we are going to continue, I gather, to have differences of opinion on it. But as Mr. Mead says at page five of his report, your voluntary program does not directly address the most deep seated causes of consumer frustration. I hope that at this time, despite the efforts that I know will be forthcoming from the industry, that we can give passengers a fair shake. Because the voluntary program is not going to make it.

Mr. Chairman, I thought your questions were very constructive. I hope that we can get enforceable rights for passengers in the legislation this time. The key is going to be having enforceable protection so that at the end of the day consumers have meaningful redress rather than making them chase all over the countryside in small claims courts and legal mulberry bush. I look forward to working with you.

The CHAIRMAN. Thank you very much, Senator Wyden.

Senator HUTCHISON. I did the same thing that the Chairman did with regard to supporting the voluntary commitment before there would be legislation. I am going to work with the Chairman on the bill to determine what should be codified in the area of customer service. I certainly want to hear from everyone if the bill that we produce is onerous and more costly than the benefit that it would give.

But I do think that there is a good news/bad news situation here. Obviously, the airlines that made commitments by and large have kept the commitments and there is better customer service. I do want to ask you a couple of things about your report.

You said in your testimony, Mr. Mead, that you did not think that the definitions of when an airline should offer overnight accommodations were very clear. I wanted to ask you if you have a suggestion on criteria for when an airline owes a passenger an overnight accommodation when it is the airline's fault or when it should be done whether or not it is the airline's fault.

Mr. MEAD. Let me address the last part of your question first. You asked whether or not it is the airline's fault. I think the airlines have a point when they say, well, you know, if it is bad

weather or the ATC system basically shuts down in the whole region of the United States, why should we be held accountable for that? Why should we have to pay?

You said in your opening remarks you thought there was an issue of tracking these delays and what causes them. You are 110 percent correct on that. We do not have an adequate system now. We made that recommendation last summer. In the closing months of the administration, they had a task force that made some recommendations. Now those recommendations need to be implemented.

So I conceded to the airlines that I do not think they should have to pick up the tab for overnight accommodations for exigencies that are not their responsibility.

On the other hand, when it is a mixed responsibility, I think the situation changes somewhat. Particularly at connecting points, it seems to me that if you are on a flight that is scheduled to leave at 4 p.m. or 6 p.m. and the airline says the flight is canceled or it is delayed for 5 or 6 hours, that it is unreasonable to make people wait that long.

Senator HUTCHISON. You think a connecting flight is different though from a destination flight.

Mr. MEAD. Absolutely.

Senator HUTCHISON. Do you think the airports should step up to the plate as part of an overall service for connecting passengers who are stranded?

Mr. MEAD. Well, many of them have in the context of providing cots and things like that. I do not know if passengers consider that as overnight accommodations. But I guess in some definitions it is an overnight accommodation. I think it is important for an airport to provide services like that in cooperation with the airlines.

It just seems to me it is a strange definition to say, well, the only time we will pay for overnight accommodations is if your flight is diverted to some unscheduled place. I do not know how often that happens. Or if it is delayed more than 4 hours between 10 p.m. and 6 a.m. That is going to keep you up pretty late at night. Especially if you have your family.

Senator HUTCHISON. It is a tough one. I just wanted to see what your observations might be. Second question, Mr. Meed. One of the concerns that you hear from traveling passengers is that there are flights that appear to be canceled for no reason other than the flight was not full and that there is a later flight within an hour and a half. Many times customers feel the sparsely populated flight gets canceled and they are put on a flight an hour and a half later. That is illegal, but nevertheless there is the perception that it still occurs. Did you encounter any incidents such as this in your research?

Mr. MEAD. Not that we can quantify in any meaningful way. That also goes back to your point about tracking the cause of cancellations and delays. We just do not have that information. We have seen instances where, for example, there is one plane available, but there are two flights scheduled. One flight has more passengers booked on it than the other one. So the airline will cancel the flight with fewer booked passengers and use the one available aircraft to take care of the other flight. I am not sure that is illegal.

Senator HUTCHISON. No. Well, if it is at the same time, it is not. But it is against the law to cancel a flight that is not at the same time and make passengers wait to put them all on one flight 2 hours later.

Third question. You said it would be hard to determine when a flight that is sitting on the runway should have to go back to the gate and let people off. That does not seem that hard to me. There is a point at which people know they are not going to make a meeting. They would prefer just to get off and not take a flight than to be stranded on the runway. I do not understand exactly why you think it would be too hard to make a cutoff point. Could you expand on that?

Mr. MEAD. The comment was directed to time on the runway, not at the gate. I would agree at the gate you could let passengers off at a cutoff point. It is different when you get out on the runway and you have been sitting there for 2 hours and it looks like another half hour. The flight crew is pretty sure they are going to take off in a half hour. In the meantime, there are two or three passengers that say they want off, while the rest of them say, "Gee, I have waited this long. I just want to get underway. I am willing to wait a half hour."

How would you decide the relative rights of those passengers? Would you take a vote? I understand there is one incident where that was actually done, they voted to stay.

Senator HUTCHISON. Let me ask Ms. Hallett. Would it be an unreasonable requirement to have a vehicle go out to the place that the airplane is in line and allow passengers who would like to leave, get off and leave the rest of the people on the plane in line and not lose their ability to stay on and take off?

Ms. HALLETT. Senator, that is certainly something that could be looked at. But there are safety problems that I believe would be paramount in doing something like this. We always have safety over anything else.

I might just add to follow up on the Inspector General's comments, when planes are in a line up, it is (a) difficult to come out of that line up, and (b) if you go back to the gate, then you may be adding another hour or two to the ultimate time at which you will be able to depart.

It is having been on a flight myself when I missed a meeting, but went to the destination anyway, as I understand it, there were probably only one or two other people who had missed their meetings. Yet, there were 100 plus who still were going to be able to make their meetings. I felt that—

Senator HUTCHISON. That is why I asked would it be out of line to take a vehicle out there rather than lose your place in the line up.

Ms. HALLETT. I think that we have to look at the safety factor first. You have a variety of problems to deal with just from a safety standpoint before you even get to the next part and that is the convenience of the passengers. But it is something we will look at.

Senator HUTCHISON. That is the point. My time is up. But I do think we should determine if it would be a safety factor, or if it would be something relatively easy that would help the passengers in both categories. Thank you, Mr. Chairman.

Mr. MEAD. Mr. Chairman, just to follow up on that point, I have often wondered why it is that if a plane does sit out there for 4 hours and a judgment is made to return because a substantial number of people want off, why that plane would necessarily have to start all over again, why we could not do something with the air traffic control procedure to say all right, you have already done 4 hours of time out here on the runway. For whatever reason, you had to go back to unload some passengers for good reason and now you are ready to go again. Why should you have to go through it all another 4 hours? It just does not seem right.

The CHAIRMAN. When you have got planes lined up on the taxiway at Reagan, it is very hard to get planes around them. Although, perhaps you could do that. We are getting pretty down in the weeds here for a bunch of aviation experts.

Senator Carnahan.

**STATEMENT OF HON. JEAN CARNAHAN,
U.S. SENATOR FROM MISSOURI**

Senator CARNAHAN. Yes, I have a question I would like to ask of Ms. Hallett. One of the recommendations of the DOT report for airlines is for them to post on the web site the prior months on time performance rate for each scheduled flight. Though I have noticed that very few of them do. Would your representative airlines be willing to provide such information on their web sites?

Ms. HALLETT. More and more carriers are doing this, Senator and it is something that obviously our web sites are designed to provide information for the passengers. We will certainly look at that as well. I might point out that in addition to each carrier having a web site that lists their commitments and what they have done, the Air Transport Association has also opened a web site which is customers-first.org. On that web site, we provide access to each member's web site. So that the passenger can get as much information as possible. We will work with the airlines to see if that is not going to be more helpful. But many of them are already doing it.

Senator CARNAHAN. The airline notifications of passengers before they arrive at the airport of known delays is a very useful service as well, especially for business travelers. According to this report, nine airlines currently offer wireless notification of flight delays. Do you know whether other airlines are moving to provide such services as well?

Ms. HALLETT. Well, they are all working on different techniques. Some of them provide a scripted message on your answering machine or on other devices. Others are actually now at the point where they are able to provide a voice message. But you must, in advance of course, give the location of where that message will be give. But this is very important to our members that we get this under control so that we will when we know in advance that a flight is going to be delayed or canceled that we will be able to notify the passengers. So, we are making progress. We have more room to be perfect in this area.

Senator CARNAHAN. One other question. In your prepared testimony, you stated that the carriers that you represent spent over \$3 billion to improve customer service. How much of that \$3 billion

can be directly attributed to voluntary rules adopted by the industry? Could you estimate the additional cost to the industry if the recommendations contained in the final report are carried out?

Ms. HALLETT. Well, a good example would be some of the carriers have removed seats to provide for more leg room. Others have started putting in larger overhead bins for luggage. Those are a couple of examples that had nothing to do with any regulation, that were costly. They are just a couple of the many that are actually under way.

To give you an estimate as to what the cost would be from mandatory requirements, I cannot give you that. We will try to assess that and give that to you in writing.

The CHAIRMAN. Senator Snowe.

**STATEMENT OF HON. OLYMPIA J. SNOWE,
U.S. SENATOR FROM MAINE**

Senator SNOWE. Thank you, Mr. Chairman. I want to welcome our panel here today. In some ways, I am encouraged. In other ways, I am discouraged. Because I think it is still very apparent that the situation is only going to get worse. In fact, the Secretary of Transportation during his confirmation hearings indicated that we could expect it to get much worse.

Ms. Hallett, you mentioned in your statement that the number of passengers traveling by airplane will rise 42 percent in the next 7 years. We will need an additional 2,500 aircraft to transport these people. If we do nothing, this increased traffic will result in a 250 percent rise in delays and an increase in passage of frustrations as well.

We are at a point where we have an epidemic of consumer complaints. I mean, it is apparent all of us travel. We are in airports. We hear from our constituents. It is a question of responsibility and obligation. I know the airlines are trying in many respects.

But we really do have a fundamental problem. The question is how best to address it. I do not think anybody wants to engage in a regulatory approach.

But also, I think the reason for legislated activity in this area is because of the enormous frustration that has manifested itself as a result of the rise in consumer complaints which is certainly indicated by Mr. Mead's report and other reports that have been done.

So we only see the situation getting worse. It is no longer just anecdotal. It is based on empirical data. It is also pervasive within the industry.

So, we keep hearing that it is because we need more infrastructure. You were mentioning aircraft. We hear the fact that we do not have enough runways. The weather. We realize the airlines cannot control the weather. But it is beyond weather related problems in many instances.

I noticed in the airline's commitment to do certain things, the worst grade is on the most significant and fundamental issue which is to notify customers of known delay, cancellations and diversions. I mean, that is a fundamental issue. It is whether or not you are going to get there. That is a real problem.

I guess what I would like to hear today, Ms. Hallett, is if you can tell us what you think the airline industry can do within this

next year to improve the performance that shows a direct improvement. I mean, just not minimal. I am not encouraged by the fact that only three of the 14 airlines have signed the contract of carriage commitments in—signed the plan, three out of the 14 airlines have included the plan for their commitments into their contracts for passengers. So that tells me that there is not an overwhelming commitment on the part of the airlines to include all of those issues concerning improving customer service in their own contract so that they guarantee and provide the assurance you're going to take care of the passengers once they make that commitment.

Because it is not a cheap issue. You mentioned \$150 tickets. There are not many that I know of where I come from. In fact, somebody yesterday wanted to go from Washington to Portland, Maine, to New York, back to Washington. That would have been over \$1,000.

We do not have competition. I know a spokesman for the ATA said in January, well, we know that customers can go to other airlines. That is not true in Maine. We are very limited. So I think that is the reason why there is so much frustration in looking at legislative initiatives as a way to alleviating this problem.

So can you tell us what will the airline industry be doing to turn this around? It is not enough to say we are going to have more people traveling than ever before. What it tells me is that we are going to have more problems.

So this takes a major initiative. It should be no different from any consumer going to an appliance store and buying a refrigerator in hopes that it is going to work. I mean, they can return that product. We are in a situation where people are depending on the airlines to get them from here to there. It is looking like we cannot get there from here.

So I would like to hear from you what you think the airline industry is going to do to change this around in a significant way.

Ms. HALLETT. Senator Snowe, I appreciate your comments. I would like to start out by just referencing a comment made by the Inspector General this morning. We now have six carriers that have their full plan in the contract of carriage. I know the others are looking at this. Believe me, we are dealing with a number of very vexing issues, and this is one of them.

Let me start by pointing out that, as I said in my comments, we have 25,000 takeoffs a day. We are carrying 665 million passengers this past year and more in this year, 2001.

It is very difficult to have safety as our No. 1 requirement, which it always will be, and to provide the very best possible passenger service when we have a number of problems that are out of our control and others that are under our control.

Senator SNOWE. Well, if you have figured out how many are within your control and how many are not? I mean, I think that would be important information for this Committee.

Ms. HALLETT. Yes, I think that is important.

Senator SNOWE. I would like to identify what is out of the control beyond weather or safety, mechanical problems.

Ms. HALLETT. Well, let me use FAA's figures. Because I think it helps to put it in perspective. The FAA tells us that 70 percent of all of the delays and cancellations are attributable to weather.

Eleven percent are attributable to volume. Now, we put over-scheduling into the volume area. So it could be as much as 11 percent could be over-scheduling.

However, we believe because of the peaks and valleys that over-scheduling is not the problem that many believe it to be.

Senator SNOWE. But if you are in the valley, it is a problem. I mean, what I am saying is when you say it is 11 percent over-scheduling, that can become a significant problem as I have seen first hand at the airports.

Ms. HALLETT. Yes.

Senator SNOWE. So that does create a lot of problems.

Ms. HALLETT. That is something that the airlines are looking at. Some of them are changing some of their schedules. This is an issue that we are very seriously reviewing, each one of our carriers. There has been a suggestion that particularly during bad weather, because that is when you have the greatest difficulty in dealing with those planes that are all scheduled for departures at the same time.

There has been a suggestion that the issue of having either the Department of Justice or the Department of Transportation be able to take a look with the carriers at those particular schedules when you have a severe storm. So that the antitrust issue will not impact that particular decision.

That is something that is in the discussion stage. I do not believe that has gone beyond that. But that will take obviously the government's commitment as well.

Senator SNOWE. When did over-scheduling start within the industry? I mean, when did that become a common practice?

Ms. HALLETT. Well, I do not believe that the airlines look at it as being a common practice of over-scheduling, but rather that the population has increased in terms of the number of passengers. There is demand to fly at particular times.

If we tell a passenger on Airline A that they are going to have to take off at 9 o'clock rather than 8 o'clock, then if they want to fly at 8 o'clock, they are going to go to another airline. That is not something that we can discuss between airlines, but rather it is an issue of competition.

So we do not schedule based on what we think people want. We schedule on what their demand is.

Senator SNOWE. Just—can you tell me how are we going to improve customer service with less competition, especially in light of these mergers? We certainly do not have much competition in Maine, in small rural states. So how are we going to improve that customer service? How can we expect it from the airline industry?

Ms. HALLETT. I believe that this morning is an example with what the Inspector General has shown us with a high number of As and Bs, a scattering of Cs and a very small number of Ds and an F that we have made enormous progress in 1 year. Do we need to do more? Absolutely. We are working very hard to do that and will continue to.

Our association does not get into the merger issues. I cannot respond to that. But I can only make the commitment that we have shown clear evidence of working very hard and spending a significant amount of money that will not stop being spent, whether there

is legislation or not. That is the commitment that we have not only to you, but to our customers. This has to get better. If it does not get better, then certainly we will have passengers who will stop flying.

Senator SNOWE. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Mead, you wanted to comment?

Mr. MEAD. Yes, just a quick comment. FAA owes the Congress and the aviation community their capacity benchmarks that were discussed in a September hearing before this committee. Second, one step the airlines could take that would help somewhat, especially with this coming summer, is when passengers call up to book a reservation, it seems not unreasonable to me for the airline reservation agent to say, "Sir, the flight you are about to book is late over 50 percent of the time or canceled 20 percent of the time." That passenger, if he has a time-sensitive engagement, may think twice about booking on that flight. That seems like something very simple that could be implemented within the next couple of weeks.

The CHAIRMAN. Senator Rockefeller.

**STATEMENT OF HON. JOHN D. ROCKEFELLER IV,
U.S. SENATOR FROM WEST VIRGINIA**

Senator ROCKEFELLER. Can I enter my statement in the record?

The CHAIRMAN. Without objection.

[The prepared statement of Senator Rockefeller follows:]

PREPARED STATEMENT OF HON. JOHN D. ROCKEFELLER, IV,
U.S. SENATOR FROM WEST VIRGINIA

Mr. Chairman:

- **We sat down and worked with the air carriers to come up with these Voluntary Service Commitments in the Spring of 1999. It took a lot of hard negotiating. It also took a commitment from the Committee to hold off on specific legislation. There were real benefits to this approach, as Mr. Mead highlights in his report.**

- **We got results more quickly than if we had pursued regulations.**

In many respects, as Mr. Mead will tell us, holding off on specific, prescriptive legislation, forced the carriers to focus more quickly on addressing consumer problems. If we had gone first to a legislative and regulatory solution, it might have taken up to 4 years for the Department of Transportation to complete a rulemaking.

- **We were able to agree quickly on increases in fines on air carriers for consumer violations (\$1100 to \$2500), and increases in liability for lost bags (\$1250 to \$2500) that were included in AIR-21.**

In holding off specific legislation, we instead increased fines on the industry for consumer violations from \$1100 to \$2500 per violation. These fines can add up very quickly. One of the things Mr. Mead will recommend is that DOT take enforcement action against 6 carriers for failing to provide prompt refunds. There is no excuse for that. There may be other areas, like deceptive scheduling practices where enforcement action might be needed.

- **The DOT IG investigation supported the need for DOT to have the resources to enforce the law, something this Committee recognized in AIR-21.**

Gutting the staff from 40 in 1985 to around 20 people today, makes no sense when we keep asking them to do more. We authorized more staff and more money in AIR-21, but it was never appropriated, despite a letter to the Senate Conferees last fall. Mr. Mead's finding will give us new ammunition to seek the money.

- **DOT should establish an Aviation Enforcement Task Force, detailing staff and resources from throughout the Department to enforce its consumer regulations.**

I recognize that it will be difficult to fund the enforcement office, but more importantly, so do the carriers. We can not establish new rules and guidelines for carriers to follow, if there is no threat of enforcement. Oversight is critical to keeping the pressure on the carriers to continue to make improvements.

• **There is more that must be done. Expanding capacity, overscheduling and seeking ways for carriers to reduce flights, when necessary, must be legislative priorities.**

We all know that we must expand the capacity of our aviation system, adding new runways where possible, and providing new tools to move aircraft more efficiently. This will take time and money. Carrier scheduling, something that Senator Hutchison has mentioned a number of times, is also an area that we must focus on. Over the next several months, we will be developing legislation to streamline the process to expand capacity, and take a hard look at antitrust immunity for the air carriers to cut flights, particularly during bad weather, to ease delays.

• **With respect to the IG recommendations, I agree that people should know if their flights are chronically late or frequently canceled.**

DOT's consumer data lists chronically late and delayed flights. The air carrier's computer reservation systems require that the on-time performance of each flight be listed. Mr. Mead points out that there are many flights that are always late or canceled. People should be told this information at the time they book a reservation. In addition, the carriers should figure out a better way to handle scheduling. If enforcement action is needed, DOT should file a case immediately.

• **Finally, I am not ready to cosponsor consumer legislation yet.**

I will carefully consider cosponsoring legislation being introduced today by Senators McCain and Hollings, and where appropriate work with them and Senator Hutchison on any changes.

Senator ROCKEFELLER. Thank you. That is an interesting idea, Mr. Mead. In other words, it is the concept of past performance without the direct and probably impossible or potentially impossible of being able to say this is the situation today, right? I mean, that is your thing. This has been the track record. Therefore, be aware of the track record although it might not apply to today. How would you react to that, Ms. Hallett?

Ms. HALLETT. Senator Rockefeller, I believe this is—as are all of these suggestions—issues that we must look at. We must try to figure out how we can best be able to inform our customers.

As I mentioned to Senator Carnahan, more and more of our members are putting this information on their web page. I would like to commit that we will discuss it. It is something that is of concern to everyone.

It is also an issue of what does this do in terms of the overall process and training and getting information out to the employees. We will just have to figure it out. But I make the commitment we will discuss it and see what we can do to meet the needs of not only the passengers, but your requests as well.

Senator ROCKEFELLER. The reason that it interests me is that because of this whole discussion which I have been involved in for some time, you would like to sort of get a control group that you can use as kind of a polling group. There are six of us in our family. So I use our family. They do not charge me anything.

In fact, on longer flights in this country, eight out of my last nine experiences involved going past the Mississippi. These flights past the Mississippi, have involved delays and cancellations on two airlines.

As you know, I'm somebody who does not—for ideological reasons, but for the purpose of efficacy and making it work, who want to see legislation that mandates, as we said in the last series of hearings, that Congress says how wide a seat should be. Or Congress says whatever. Because I do not think we are good at that. I think our job is to make sure that you are good at it. Always the bottom statement is that if you do not become good at it, then we

have to do it. Probably badly, but do it nonetheless. Because the consumers are getting of that mind.

There is another side to this and it may have been discussed before, and if so, please tell me. That is the whole discussion of controllers of the other aspects—not including weather which is obviously a factor—the other aspects of this which make planes late, the lack of runways, all of that.

In AIR-21, we authorized about \$2.5 million for DOT's enforcement office. There were a group of us that took that—and Senator McCain was one of them, Senator Gorton and myself, Senator Hollings, Senator Shelby and Senator Lautenberg—for funding. We were turned down.

Now, I can make a Federal case of that, Mr. Mead. Or I can just say, oh, well. That does not really make that much difference. It should be done anyway. How should I view that? In other words, the importance of that enforcement money which was not made available, is that—does that let the airlines off the hook so to speak? Does that mean that we have committed an error which makes it harder for them to comply? Or how do I approach that deficiency on our part.

Mr. MEAD. Congress in fact authorized—I think appropriated funds for—

Senator ROCKEFELLER. No, it didn't appropriate it.

Mr. MEAD. It did not?

Senator ROCKEFELLER. No.

Mr. MEAD. It did not go through. I think hearings like this draw attention to it. The sad fact is the Department of Transportation unit that is charged by law with the responsibility for consumer protection here does not have enough resources to adequately discharge its job. We pointed that out in our interim report. We are pointing it out again today. I personally will say the same thing tomorrow at the Senate Appropriations Committee hearing on it at the beginning of the appropriations cycle. Beyond that, sir, I am not sure I have the answer.

Ms. HALLETT. Senator, not only did we support that provision, but we even brought it up early on in the discussions. Because we felt that this was something that was desperately needed. We have had discussions with Mr. Mead over the last couple of months about the IG being in a position to do a review of our continuing progress. He pointed out that we simply have insufficient people to do that job.

Senator ROCKEFELLER. Ms. Hallett, let me just ask you again a philosophical question. Again, using my family as my unpaid control group. When any of us now go to either New York or Boston—or rather I should say when any of them go to New York or Boston—we routinely take the train. It has become the travel method of choice in my family. Because there are no inconsistencies that will meet us, provided we get our ticket and get to the station on time.

You can look upon that two ways. You can look upon that as a negative comment on airlines. Or you can say there are too many people wanting to travel to too many places without enough runways, too many flights over-booking into crowded New York airports, et cetera.

Therefore, my little control group decision is not really that statistically or substantively important. Or you could say, you know, that is not a very good sign for airlines. How do you interpret that?

Ms. HALLETT. Well, I can relate to what you are saying.

I would point out that using Boston Logan as an example, it is estimated that if the new runway that actually has gone through all of the environmental ropes, it has had all of the necessary approvals from that standpoint. If that runway could be built, it would add 40 percent in capacity at Logan which would mean an enormous improvement in keeping flights on time.

At LaGuardia, it is problematic. It is very difficult to find land, other than in the river, to build another runway. As you know, AIR-21, of course, added additional capability of carriers having more flights in there. That has now been changed.

But I have to point out that in so many instances in addition to building more runways, a good example would be Chicago O'Hare. That is estimated to give a 40-50 percent increase in capacity. Then when you add to that, both in the Northeast as well as across the country, if we have satellite based navigation, GPS, some of the other tools also online, not all, but the vast majority of these problems are going to be eased dramatically. That is what we want.

Senator ROCKEFELLER. Mr. Chairman, can I just take a quick little shot at New York?

The CHAIRMAN. Sure.

Ms. HALLETT. Not me, but New York, right?

Senator ROCKEFELLER. In talking with some of their folks, they say that is an outrageous thought. To which I respond, wait a second. Already one of your runways is already built on stilts out in the water. Your environmentalists are comparable to Arlington, Virginia's. I'm sorry, they are just going to have to give way to something called the public interest. Whereupon, the people of New York that I talk to get very, very, very mad and say that will never happen in New York.

Essentially, what we are talking about here is that that kind of attitude, if we are going to do from a variety of ways to solve the problems on the chart in front of you is going to have to back off, is it not, just a bit? That kind of attitude. Not here. Not in my property. Not in my area.

Ms. HALLETT. It is a term that we hear often. It is called NIMBY, Not in My Back Yard. It is a very serious problem. It is one in which that particular obstacle will continue to create our biggest headaches as far as delays and cancellations are concerned.

Senator ROCKEFELLER. Not solving all the problems. Some will still remain with you, but it will solve some of them. Mr. Chairman, thank you for your indulgence.

The CHAIRMAN. Thank you, Senator Rockefeller. I do not think we should ever forget as we discuss this issue that there has been very little concrete poured in the last 10, 15 years. It is not just New York. San Francisco very badly needs a new runway. Senator Fitzgerald and I have an ongoing dialog about the problems in Illinois, either Chicago, O'Hare or a new airport or some combination of both.

So that is a very serious aspect of this problem. Even if we modernize the air traffic control system, even if we had the best pas-

senger bill of rights, we have still got to have some place for them to land.

So I think your point is well made and I do not mean to interrupt.

Senator Burns.

**STATEMENT OF HON. CONRAD BURNS,
U.S. SENATOR FROM MONTANA**

Senator BURNS. Thank you, Mr. Chairman. Good morning. Let us see a show of hands. How many people in this room have worked the ticket counter?

Mr. MEAD. Worked on a ticket counter?

Senator BURNS. Yes.

Mr. MEAD. Worked them over?

Senator BURNS. Worked the ticket counter. Ever wrote a ticket. Ever write a ticket?

Mr. MEAD. No.

Senator BURNS. Well, you ought to go out there and work one one of these days and you will find out that some of the things that we are harping about here are not so bad. But, you know, there has to be some responsibility from the passenger. They have a little responsibility. But nonetheless, I started out working one. So I think I have got some suggestions on maybe this passenger service. That is what we are looking at. We are trying to deal with complaints from passengers.

Now, I think most of it boils down to fares. We do not know. You can get on the airplane and there will be 67 different fares. They might only have 50 seats. Nobody understands them. Why when they cancel they cannot get all their money back. What I think mostly is that we have very little offline traffic now. Most of it is interline traffic. Passengers think once they make a reservation, that fulfills their responsibility, or they cancel one.

No matter what we do as law around here, if the guy that is handling the baggage on the tarmac does not want to do it, it is not going to happen. He don't care about your law, Mr. Wyden or Mr. Burns or Mr. Lott or Mr. McCain. They don't give a damn about that law. Because you cannot fire them.

If a ticket agent—I suggested to a CEO of an airline, I said, why don't you take some of this money and put some of your people through charm school? It wouldn't hurt.

But if they do not want to accommodate us at a ticket counter, they are not going to. That is where our problem is in some of this.

We have got some pilot who says, well, I am not going to fly today. I am going to slow it up a little bit. I am just going to pull out here. I will just get ahold of the FAA and the controllers and I just want to sit here for 50 minutes. If they would report on time performance on arrival times rather than departure times, that would change an attitude.

But I have just got to believe right now that frequent flyers, who pays for it? Somebody has got to pay for it. I think we all do.

But I think whenever you take a look as far as reservations are concerned, we used to all make our own reservations. Then if you booked offline, then you went on and made the reservations. As soon as the flight canceled or was late, it was the responsibility of

reservations to notify the passenger. They got all the information. You have got the information where the hotel they were in. We used to have to reconfirm. Remember that? When the reservation came down, it would say RECNO on it. Reconfirmation not necessary. All those things meant that the passenger had some responsibility in making this service better. I have just got to believe if reservations don't want to accommodate, they are not going to.

As I was talking to the leader here, sometimes it has to start with the top and the kind of leadership they get from the executive branch on their attitude toward passengers and their attitude toward service.

It would not hurt for the president of the company to go down on the ramp and work a couple of flights. They could put on some of them knee pads and crawl around in them airplanes and try to stow that luggage and try to get it to the bag claim without tearing it up.

Because now there are some of those folks out there that can tear up shotputs. I realize that. They are just that kind of folks. But nonetheless, if we got it instilled somewhere in this airline industry a willingness to serve. How do you accommodate a passenger?

I think in our case if I wanted—with the fares the way they are structured now between here and Chicago, I would be better off if I booked through Amsterdam. I can fly to Amsterdam to Chicago cheaper than I can fly Washington to Chicago. We do not understand that. The flying public does not understand that. Why can you fly from Dulles to LAX for \$312 round trip and it costs me \$518 to get to Billings, Montana. I do not understand that. If I want to fly from Billings to Denver on a walk up, it costs me about 800 bucks.

Now, I tell you what I am going to do. I am going to jump in my car and drive it. Because I can drive it in 8 hours. I will do it. Because I ain't got the \$800. I am trying to get the \$800.

So I have just got to believe what we are talking about here—and we can talk about weather. We can talk FAA and delays and this type of thing. But if we would report—if you want an on time record, then report arrival times rather than departure times. Because right now they can push you away from the gate and you might sit out there for an hour. You are still on an on time departure. You report arrival times. If the FAA is at fault and some of these pilots, then write the FAA up. Write them up. Make a note. File the complaint.

But we cannot instill customer service in people that do not want to give customer service. Let's face it. This is a hands on. The first people you run into now is the bag handler out front. It is a good thing you do. They are all happy. Boy, they are all happy. They are happy to see you. They are going to make sure your bags get on the airplane and all this thing.

Then you go inside and you talk to one of them ticket agents and I tell you what, it ruins your whole day. You know, it is the people that—contact with people and how they handle people. That is where our biggest problem is.

All of this is things that have happened to all of us. I mean, I could write a book on Minneapolis. I do not mean to get on Min-

neapolis and Minnesota. Although, they do vote funny up there. But I could write a book on MSP. You know, of all the bad things that has happened to us, it has happened there.

But it boils down to people if they really want to serve.

Now, Chicago wants to build another airport.

The CHAIRMAN. Not necessarily.

Senator BURNS. But you have got too many of them little old green tree frogs, right? Can't do it. Some of the folks around here, they don't want you to mess with them little green tree frogs. So you can't build an airport.

So it boils down to people.

The CHAIRMAN. I think those tree frogs work in Springfield.

Senator BURNS. I know. They do. I ain't got none out there either. On my place anyway. But nonetheless, I do not know what kind of legislation will come. But I do not think we can legislate service to the public. The education it takes for people who work on ticket counters, handle bags or even fly them or in flight service. When I started off with Krazo Airlines—and that is Ozarks spelled backwards—a long time ago, and we sold air first and then your service second. We do not see that anymore either. But interline with the hub system has taken away a lot of those travelers. It's all online now. So your interline is very, very small.

So I just think we are going to be talking about a lot of things today, but most of it is education and the will to do it. If the executive leadership of an airline does not show the will to do it, then the employees will not. Would you like to comment on that, Ms. Hallett? I've just kind of run on here. But I just don't know what the answer is. But I know one thing. Reservations. Some of these reservations people are terrible.

Ms. HALLETT. Well, Senator, I would like to first just point out that this overall issue of customer service is one where the CEO of every single one of our companies is involved. This has been a very top down effort. I believe that the Inspector General has seen that in his visits to the carriers as well.

If there is a particular area where it is very difficult to make everything work, it is in the area of human factors. Training will never be complete. We must do more and more training. We have that as part of the job. The other part to really facilitate and bring about better customer service is going to come through technology. We've seen an enormous effort underway this past year by bringing the technology side not only up to speed but beyond where it should be.

So this is going to be an ongoing effort, the training, the continuous interest and concern as well as responsibility starting with our CEO is there. They take this very seriously and will continue to.

I just wanted to make that point. I appreciated the comments you have made. I think they are concerns that we hear repeatedly.

Senator BURNS. Well, I feel very strongly that if you have got people that contact the passenger that has hands on contact with the passenger, if they do not want to—if they have got no try in them, it is not going to happen. We cannot legislate it. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Burns.

Senator Edwards.

**STATEMENT OF HON. JOHN EDWARDS,
U.S. SENATOR FROM NORTH CAROLINA**

Senator EDWARDS. Thank you, Mr. Chairman. Mr. Chairman, I ask permission to put my statement in the record.

The CHAIRMAN. Without objection.

[The prepared statement of Senator Edwards follows:]

PREPARED STATEMENT OF HON. JOHN EDWARDS,
U.S. SENATOR FROM NORTH CAROLINA

Thank you, Mr. Chairman. Good morning. I want to commend you for holding a hearing on this important matter. As a new member of the committee, I look forward particularly to helping you act as a watchdog for consumers in this country.

Airline passengers deserve excellent customer service. I'm going to repeat that—Airline passengers deserve excellent customer service. Therefore, airlines must look at their policies and services from the customer's point of view. I know airlines will never be able to satisfy all customers all the time.

But airlines must do better. They must do better by not leaving passengers stranded on the tarmac for hours when there's a delay, by not overscheduling flights and by not refusing to communicate delays to passengers when this information is known. These things are unacceptable, and must be corrected. These are *basic* standards of customer service. Customer service improvements are long overdue, Mr. Chairman.

Now I know that airlines are trying to reduce delays and increase efficiency. I also know that no business likes government telling them what to do. But sometimes it's the most efficient way to illicit industry action.

Thank you again, Mr. Chairman, for your leadership on this important issue.

Senator EDWARDS. Also Senator Carnahan's statement. She had to leave.

The CHAIRMAN. Without objection.

[The prepared statement of Senator Carnahan follows:]

PREPARED STATEMENT OF HON. JEAN CARNAHAN, U.S. SENATOR FROM MISSOURI

Mr. Chairman, thank you for convening today's hearing on this important subject.

Given the nature of a Senator's schedule and the travel that it requires, all of us have become experts on the subject, whether we wanted to or not.

I believe the issue of airline delays and passenger service is so impassioned because we live closely scheduled lives. We are trying to pack more into a day or week than would have been imaginable even ten years ago. Whether a person is heading for an important business meeting, or taking a late night flight to get home to his or her family—time is a precious commodity, and information is a precious resource.

So when passengers are spending hours in the airport waiting for a delayed flight, or worse yet, the flight is cancelled without any notice, for no apparent reason, tempers run high. Frustrations mount.

Of course, all problems surrounding air travel are not the fault of the airlines. Some delays and cancellations are outside of the airlines' control. However, timely and accurate information provided by the airlines can go a long way to soothe the frayed nerves of a weary traveler. It is always frustrating to have your plans disrupted—but it is even more stressful not to be informed of what has occurred and to be ill-advised of your options for remedying the situation.

The Inspector General's report suggests that the airlines have made progress in a number of areas addressed by the voluntary rules outlined in the Airline Customer Service Commitment. However, much more has to be done to address air travelers' most significant complaints; chiefly those complaints concerning flight delays and delays where passengers are trapped on-board a grounded plane.

Ideally, Congress should not have to intervene to make sure that an industry treats its customers well. But the airlines must know that if the situation does not improve quickly, eventually this Committee will have no choice but to take action. I am eager to hear the recommendations of the Department of Transportation Inspector General and learn how the airline industry intends to address the serious concerns raised in his report.

Senator EDWARDS. Good morning, Ms. Hallett.

Ms. HALLETT. Good morning.

Senator EDWARDS. I missed this part of your testimony, but actually it was Mr. Mead's testimony. But apparently, he gave you a grade of D on overall performance for delays, cancellations and diversions. Were you here when he said that?

Ms. HALLETT. Yes.

Senator EDWARDS. You would agree, I assume, that that area is one of the most critical areas in terms of airline passenger satisfaction, would you not?

Ms. HALLETT. It is the reason for the majority of our complaints, delays and cancellations. The issue of delays, I am sorry to say will only get worse until we have more runways and until we have a better overall infrastructure, including the technology that the FAA is calling for. We are supporting the FAA on that particular technology. Fortunately, AIR-21 provides funding for that technology. So that it will go forward.

We think that it should be done faster than has been called for. But that is an absolutely must if we are going to be able to meet the continuing demands of a growing number of passengers, 655 million passengers this last year. We expect that to be up around 690 million this year.

Interestingly enough, 30 years ago at the FAA's forecasting conference, they forecast that this last year we would have 700 million passengers. We bought the planes. We have the equipment to provide that service. The system still needs to be up to date.

Senator EDWARDS. Obviously, there are other problems associated with causing these delays.

Ms. HALLETT. Absolutely.

Senator EDWARDS. Everyone recognizes that. But talking specifically about the commitment and notifying customers of known delays, cancellations and diversions, that is what I understand Mr. Mead gave you a D on overall performance.

Let me ask you this. Given that and that that is one of the most critical things that passengers are concerned about, what reason would we have to believe now that you have had a year to do something about this most critical component, what reason would we have to believe that this problem is going to be corrected voluntarily?

Ms. HALLETT. Well, in looking at my notes, the Inspector General pointed out that he would give us a B or a C for effort, but a D for performance. That is unacceptable. We do not want to be in that position, even 6 months from now, let alone a month from now.

But this has come back to an ongoing effort that I mentioned, not only in terms of the technology that is going online to be able to advise passengers, not only when they are in the terminal—and that is going to take airports and airlines working together to have the information updated—but also in terms of advising passengers before they get to the airport if we know of a delay or a cancellation, having it on the web page. Also having calls that are placed or having the information sent to an office to advise the passenger of a plane that will be delayed. This is something that I believe it is fair to say we are making some real progress, but we have an

enormous amount of work yet to do. We have made that commitment.

Senator EDWARDS. We appreciate that commitment.

Since you have made that commitment, would you have any objection to passengers having any enforceable right to enforce the commitment that you have made?

Ms. HALLETT. Well, we believe that over the past year, the voluntary commitment has caused the airlines to go far beyond—many of them have gone far beyond the 12 point plan that was developed. In fact, this has made it a very competitive—

Senator EDWARDS. Can I interrupt you? I am sorry, I do not mean to interrupt you. Is there a reason though—from your perspective—is there a reason for your passengers not to have an enforceable right to enforce the commitment that you yourself have made?

Ms. HALLETT. Well, I do not see the need for it to be enforceable by law if we are in fact already working to accomplish that goal for them and going far beyond.

Senator EDWARDS. Well, what harm is caused by passengers having the right to enforce a commitment that you all have actually made?

Ms. HALLETT. Well, I think that it will be more than just one point in a piece of legislation that ultimately could be very expensive legislation and would not provide the voluntary commitment and particularly the incentive that people have when they are being competitive with another carrier.

Senator EDWARDS. But would you not have an incentive to get better than a grade of D on this particular area?

Ms. HALLETT. We do. Believe me.

Senator EDWARDS. But would you not also have that incentive if the passengers that you are carrying on your airlines in fact have an enforceable right? Would that not also create an incentive for you to do this?

Ms. HALLETT. We want them to not have to have an enforceable right. Because we will provide that service to them. That is our goal.

Mr. MEAD. In fact, Senator, I should point out that in our work, some of the airlines have taken that pledge and moved it into the contract of carriage—some, but not all. The contract of carriage is enforceable.

I think the problem here is whether you want this level of inconsistency between the airlines on some basic issue like telling people about delays and cancellations?

Senator EDWARDS. It seems to me passengers should have the same rights no matter which airline they are flying on. Does that make sense to you, Mr. Mead?

Mr. MEAD. Yes. Yes, it does. At the same time I think that we do not want to create a situation where it is the lowest common denominator, where the airlines will compete above and beyond that.

Senator EDWARDS. Absolutely, I completely agree with that. Let me ask you, Mr. Mead, a question and then follow up to this. I apologize if someone else has asked this. But I am particularly concerned in North Carolina about the USAir/United merger. It is an

issue that I have been working on for some time. Tell me what impact, if any, you think these proposed airline mergers are going to have on these customer satisfaction concerns.

Mr. MEAD. This Committee and several Members of it have asked us to examine that issue and that work is ongoing. I feel at this point in our work that it is fair to say that there is no mechanism in government for fully assessing the implications of this on customer service. That just is not included in traditional types of analysis, including merger analysis, including transitional service disruptions.

Being from North Carolina, you know what happened when the railroads merged. After those mergers were consummated, the Surface Transportation Board, which has jurisdiction over it said, "Oh my." Before we approve another merger, we are going to make sure they have a transitional service plan so we can see what is ahead. I know there are some that would make that case for the airlines as well. But the work on the direct answer to your question is ongoing, sir.

Senator EDWARDS. Do you have notion of when we might have an answer to that?

Mr. MEAD. April or May.

Senator EDWARDS. April or May.

Mr. MEAD. Yes.

Senator EDWARDS. OK. Well, I am glad you are doing that.

Mr. MEAD. One issue on the scheduling that is I think interesting about a merger is if you have three airlines that are competing for peak hour slots and one of those airlines goes away, well, intuitively, that would suggest that you would have less competition for those scheduling slots. Hence, less of a crunch at peak hours. I certainly do not want people to take that comment as a recommendation that people go out and merge. But I think that is probably one result.

Senator EDWARDS. Thank you, Mr. Mead. Thank you, Ms. Hallett. Mr. Chairman.

The CHAIRMAN. Senator Fitzgerald.

**STATEMENT OF HON. PETER G. FITZGERALD,
U.S. SENATOR FROM ILLINOIS**

Senator FITZGERALD. Thank you, Mr. Chairman. Ms. Hallett, I would like to follow up on Senator Edwards' questioning. I just want to make sure I understand what you are saying about the airlines' contract of carriage. The Inspector General is recommending that the airline customer service commitment provisions be made enforceable and legally binding with their passengers by putting them in the contract of carriage. Do you oppose making those commitments legally binding on your airline members?

Ms. HALLETT. Senator Fitzgerald, I think he was talking about one specific point. But I would respond by saying that six of our members have already placed the entire plan that they have developed individually into their contract of carriage. Others have placed major parts of their plans in the contract of carriage. We are now in discussions, all of the carriers that have not placed the entire plan into the contract of carriage. We are in discussions over that.

However, we—ATA cannot force a member to do something that their management does not believe is in the best interest of that carrier. I believe there is going to be overall an effort by each carrier to accomplish that goal, but I cannot promise it.

Senator FITZGERALD. You would agree that if those promises are not in that contract, there is no way for a consumer to enforce those promises that the airlines made back in 1999.

Ms. HALLETT. Unless it is already in the law which is in some cases the fact.

Senator FITZGERALD. Do you not think those promises sort of ring hollow if they cannot be enforced. Would that not be correct?

Ms. HALLETT. Well, Senator, I think almost all of them have already gone into the contract of carriage. There are very few that are not there now. Those are being discussed for permanent placement in the contract of carriage. But I cannot guarantee that that will happen.

Senator FITZGERALD. OK. I want to go back to the over-scheduling problem. As you know, I represent Illinois. We have the famous or infamous Chicago O'Hare Airport. There were a couple of investigative stories by our local papers, the Chicago Sun Times and the Chicago Tribune, how they checked to see how many flights were scheduled to take off at one time. Given that the airport's capacity is only for three flights to take off at any one time, they found that the airlines were regularly scheduling as many as 20 to 25 flights to take off at the exact same minute.

8:45 a.m. was one of the times they have cited. Which apparently the airlines' marketing experts go out, find out what time people want to take off in the morning. 8:45 is a popular time. So the airlines go and schedule a bunch of flights to take off at 8:45 in the morning. But since the airlines over-schedule them—they schedule 20, 25 flights to take off at 8:45 in the morning. FAA is only going to let three flights take off at that time.

It seems to me the airlines know darn well that most of the flights they schedule at 8:45 in the morning have little or no chance of taking off at 8:45 in the morning. Is not that a bait and switch for airlines to engage in that kind of technique? Are they not doing that knowing that many of those flights are not going to take off at that time?

Ms. HALLETT. Senator, they schedule their flights based on demand by the passengers. As you well know, at Chicago O'Hare, you have different terminals with a distance that is quite different from terminal A or terminal D to the runways to which those particular flights are going. You have a number of different runways. They're not all scheduled for the same runway.

Obviously, in bad weather you have significant problems. Our air traffic management people estimate that with all of the planes that are scheduled for an 8:45 departure at Chicago O'Hare by a variety of different carriers—and they cannot discuss with one another their schedules and whether or not they are at the same time.

Senator FITZGERALD. Should we try and help you with that to give you some kind of exception?

Ms. HALLETT. That is under discussion. The whole issue is under discussion. But nonetheless, we find that because of the peaks and valleys that all of those planes in good weather will be cleared out

within 15 minutes to 19 minutes—I hate to be so precise, but that is what our air traffic management people tell us—they will all be off the ground.

Some of them obviously are going to arrive at the runway maybe 10 minutes apart from one another simply because they are coming from different parts of the terminal, going to different runways. So it has worked well. Again, it is based on the demand of our passengers.

Senator FITZGERALD. It is not a contributing factor to the delays at O'Hare?

Ms. HALLETT. Overall, no.

Senator FITZGERALD. Oh, really?

Ms. HALLETT. We do not believe so.

Senator FITZGERALD. You do not think—could they schedule—should there be any limitation at all? Should you be able to schedule 100 or 200 flights to take off at the same minute?

Ms. HALLETT. Well, we would not have that many passengers. So there would not be that problem.

Senator FITZGERALD. I do not know. I think that demand has exceeded O'Hare's capacity since 1969. There is almost an unlimited demand. I wonder, Mr. Mead, you mentioned the idea of requiring airlines to disclose ahead of time how many times the flight has been delayed in the past. What about requiring them to disclose how many other flights are scheduled to take off at that exact same minute?

Mr. MEAD. Well, you certainly could do that. We did not recommend that specifically because we wanted to get at the core issue. We just felt that airlines should disclose if a flight is being delayed 40 percent of the time. Our analysis showed there were 240,000 flights this past year that at least for one single month were late or canceled 40 percent of the time. By late, I do not mean 15 minutes. I mean at least a half hour. That would I think start to show exactly how serious the situation is.

I wanted to follow up on your point. I think your point is legitimate. I have paid visits to the leadership of three major carriers. They do know at their key airports what that airport can handle at a particular point in time during the day.

A problem they have is if they were to reduce the number of flights that they have going out, for example, during the peak hours of 4 o'clock to 6 o'clock, they are concerned that their competitor will immediately turn around and fill that gap. Under current law, they cannot hold discussions about how to work that out. Ms. Hallett was referring to whether there are discussions ongoing about how to deal with that. I think that is a legitimate issue. I have seen it enough to form an opinion that that is a matter that Congress—

Senator FITZGERALD. Would it not be in everybody's interest to give them an limited antitrust immunity to negotiate the schedules? It would be in the passengers interest and the airlines' interest. So that we do not have all this over-scheduling at the same time.

Mr. MEAD. I am not a student, sir, on how you can monitor this from an antitrust standpoint. I understand it has been done in the past. It does seem to me that the American public's patience is

wearing very thin on this issue and that we are not going to have a lot of new runways in the next 3 years.

I think this is an area that has to be explored. It probably needs to be explored for the next 2 or 3 years. I would say hopefully it would only be a short-term thing. We could get over this hump where we do not have any infrastructure, in trying to modernize the air traffic control system.

But we have got a problem out there. I have seen some airlines, sir, make a good faith effort on this scheduling issue. But they are deathly afraid that their competitor will turn around and fill the glass right back up.

Senator LOTT. Would the Senator yield on that very point?

Senator FITZGERALD. Yes.

Senator LOTT. What responsibility should or does the airport have in this regard? They are in control of these runways. They know if there is 25 flights scheduled to take off at the same time. Do they not have any kind of ability or responsibility to deal with this?

Mr. MEAD. I do not think so, sir.

Senator FITZGERALD. I think I have asked that question before at O'Hare and they said it is up to the airlines to schedule their flights. There is nobody playing referee here.

Mr. MEAD. That is true. FAA, for its part, says, "Well, we will make sure the system is safe." It is not our job to regulate the number of flights into a place. LaGuardia being a possible exception to that.

The CHAIRMAN. LaGuardia has taken some action and we may see more of that in the future.

Mr. MEAD. The situation got better at LaGuardia. It is still nothing to write home about certainly. But it is not quite as severe as it was.

Ms. HALLETT. Senator, I should point out that we do have some carriers, as has been alluded to by the Inspector General that are looking at the schedules at airports where there is an impacted time at peak hours. So they are looking at everything. It is not limited to that. They are looking at everything to try and come up with ways to relieve the situation until such time as we get more runways, more equipment.

The CHAIRMAN. Well, one of the other proposals is to have a system where you pay a whole lot more money for those specific times for take off and landing. That may have put some market effects in there. But this is a huge problem.

Senator FITZGERALD. Auction the slots off.

The CHAIRMAN. This is a huge problem. There are many major airports in America where there are more planes scheduled to take off than is possible. Then you get a bad weather day. We all know about that. So I thank you Senator Fitzgerald.

Senator Lott.

**STATEMENT OF HON. TRENT LOTT,
U.S. SENATOR FROM MISSISSIPPI**

Senator LOTT. Mr. Chairman, I want to thank Mr. Mead for his report and for his appearing today. Ms Hallett, thank you very much for your testimony and for your efforts in this regard. I re-

member a year or so ago, we were talking about the situation. I tried to make it clear that the airlines and the industry needed to deal with this problem on a voluntary basis on your own or we were going to do it for you. That was not necessarily a good idea.

To your credit, you took some initiatives which have borne some fruit I think. Obviously, it is a mixed bag. You have improved in some areas. You have got other areas you really need to do more.

But Mr. Mead is right. The patience of the passengers is very thin. They are out done. They are disgusted. They are mad. I do not think their temperature is better this year than it was last year. Probably worse. This one has not been a good year for many, many reasons.

Also, it is one of the few areas where we as Members of Congress, Senators included, get to endure the same thing our constituents do. We not only get mad because of what we endure ourselves. We are flying on a plane with our constituents who recognize us and pass on their thoughts.

That is why on one occasion on behalf of the passengers of the plane that I was flying on, I can't remember where it was, maybe Cincinnati, I put in a call to the chairman of the board of the airline that I was flying and amazingly got through to him. But the passengers and I were really mad.

But I hope that you will continue to work. You have got to make a lot more progress than you have been making. Or you are going to be faced with legislation that will require more to be done.

But I think that a lot of the solutions are common sense issues. It is just like this thing that Senator Fitzgerald is talking about. That makes no sense. It is indefensible. It is even dishonest. I do not care if they do get out within 15 or 19 minutes. The idea that they scheduled 25 flights or 21 flights at the same time is a lie.

If we are the problem, if we need to change the law, then let us do it. But that is something, again, I think we are focusing too much on the effects and not enough on the cause. We are worried about what our passengers are having to endure. We are not paying attention to what is causing this problem.

A lot of the solutions require common sense on the part of the airlines, the airports, the passengers and the Members of Congress. I think we have not done that. You have not done that. It is high time that we do it.

Again, you need to do everything you can to help passengers with flight information and cancellation information. But again, that is the effect. What causes those problems is what we are not focusing. We can require all this stuff until the cows come home. But it is going to still be miserable if we do not deal with the problem it is causing, the discomfort that our constituents are having to deal with.

Now, what are those problems? Some of it is the good Lord and the weather. I mean, you have to acknowledge that the weather is a big problem. Does it rain, sleet and snow in Atlanta everyday when I land? Just about. Sometimes I think maybe it is because the airport is there. That is why the weather is so bad there.

But it is a factor. People have to understand. Safety is a factor. You know, our constituents demand all these things, but they also

want to be safe. They do not want to fly when there is a wind sheer fixing to blow an airplane into the ground. That is one problem.

The second problem is we—the government—have not done our job in terms of upgrading and improving our transportation systems in America. Our ports, our railroads, our roads, our bridges and our airports.

Thank goodness we have got AIR-21. Now we have got to make sure that AIR-21 is carried out and the money is spent. I am for more of everything. I am for longer runways, more runways, more airports in Chicago if they want them, more airports in New York.

Let us get with the program. I mean, 700 million took to the skies this year and it is going to double to about 170 million more passengers soon. I do not know. It is going to continue to explode and we have got to deal with that.

Now, I guess we can say, no, we are not going to build anymore airports or it might disturb the green frog or whatever. But if that is what our constituents demand, then they have got to understand they are not going to get the airplane service they want. But there are so many inexplicable things going on in the airline industry that just defies common sense.

There is another problem. I have got two questions. Since I know we are all making speeches. So we need to ask a couple of questions. One of them to you, Mr. Mead. I mean, I think that labor is a major part of the problem. You have got flight attendants threatening strikes.

You have got baggage handlers that will not get the bags off the planes, work when they want to, throw our luggage around like it is a piece of dirt. You know, half the time when I land at Washington, I threaten to crawl through the luggage hole, get out there and show them how to offload a plane. I do not understand why some management person does not go out there and say get going. Get this stuff off. Or you are fired. Right there on the spot.

Now, maybe you cannot do that. But if you cannot, you damn well ought to be. The very idea now that we have got some pilots threatening to strike, knowing what pilots make, and slow down and all this stuff, there is a big part of the problem. That is the cause that we are not paying any attention to.

Now, I am not picking on labor. I am the son of a shipyard labor union member. But we see what happens with all this stuff. So what I want to ask you, Mr. Mead, does your report address that issue, the problems? How much these delays and cancellations are caused by work stoppages, slow downs, all this sort of stuff? Is that not a part of the cause of the problem?

Mr. MEAD. It certainly is. Our report does not get into that. But I will just give you a figure. I have a figure here in front of me that goes to your point. This is a number of actual flights consistently delayed in any given month, 80 percent or more by airline for 2000. United's numbers, 23,000 flights. The next runner up was 6,600 flights.

Senator LOTT. These are delayed flights?

Mr. MEAD. Delays and cancellations.

Senator LOTT. But you are just citing numbers. You did not cite the cause.

Mr. MEAD. No, I am saying that that number takes into account the cancellations and delays this summer.

Senator LOTT. How many of those delays and cancellations were caused by labor slow downs or work whatever actions?

Mr. MEAD. I do not know. We have not done that at all.

Senator LOTT. I would like for us to find that out. I would like to encourage the airlines and airports also to publicize what these people that are threatening to strike are making. Because if our constituents knew what they are making, there would be another uprising, a war. That would get started real quick.

When you represent constituents who have an average per capita income of \$15,000 a year or \$20,000 and you look at these salaries, and then we have got the very idea that we would have work slow downs and what that does to the flying public, I think it is totally irresponsible. Do you not have anything in your report on that?

Mr. MEAD. No, sir.

Senator LOTT. Let me ask you, is that a cause of the delays?

Mr. MEAD. It is certainly part of the cause. Sir, we will try to see if we can isolate that very point and get back to you.

Senator LOTT. I would like for us to address the cause more than the affect, the result. If we stop what is causing some of these delays and the difficulties in the airline industries, then our constituents and their customers will not be penalized as much.

Let me give you another—this peak travel kind of thing again. Would it not be real simple that if some airline moved their takeoff time in Atlanta from 5 to 6, other airlines could move in and fill that void. You know, their concern is if I move, then some other airline has an advantage. We ought to stop that. Now, can that be done with regulation? Or do we have to have a wall to do that? Mr. Mead, do you know?

Mr. MEAD. You would need either the authorization of the Antitrust Division/Justice to do that. Or you would need a law.

Senator LOTT. Well, I think clearly we need to do that. I want to say the Senator Fitzgerald, I hope that you will address that.

The most important thing of this report and this hearing I think comes on page 14 of your—I guess this is your statement. Again, it gets at the cause and not the effect. You suggest that we establish and implement a uniform system of tracking delays, cancellations and their cause. I mean, how simple is that?

I mean, again, it makes good common sense. Develop capacity benchmarks of our nation's top 30 airports, provide a common framework on understanding what maximum rival departure rates can physically be accommodated at airports. Surely, we ought to do that. If we do not know that, that is amazing. We need to try to come up with some way to deal with those realities of the limits of those airports. What do they need? Expand them, limit the flight takeoffs. Some common sense stuff.

Mr. MEAD. You are absolutely correct. Do you know with respect to those recommendations that you recited, do you see what it says in the preamble? It says over the past year, we have made these recommendations. We made these recommendations in August and September before this committee—

Senator LOTT. But has anything been done about it?

Mr. MEAD. They have formed a task force.

Senator LOTT. They formed a task force to what?

Mr. MEAD. With respect to the first one, former Secretary Slater formed a task force, which came out with recommendations I think in December. Just yesterday I was speaking to Secretary Mineta, about the fact that they have these recommendations out there and now they need to follow through on implementing them. He said yes. I think he will move forward on that.

On the second one about capacity benchmarks, that is the critical one and the recommendation there was for the top 30 airports. FAA committed to do it and said it would probably be done in 6 or 7 weeks.

Senator LOTT. Beginning when?

Mr. MEAD. Beginning in September. So we should have had them in November. They have been making progress on them and I think they are close. But it is time to let these out of the box.

Senator LOTT. Then your third point, develop a strategic plan for addressing capacity shortfalls in the immediate, intermediate and long-term. I would like to suggest to the Chairman and to our staff that we have a further hearing soon on these three items to see if they are being done. I mean, how long does it take a task force? This is ridiculous.

So I would say to my friend, Senator Wyden, I am very sympathetic to what he wants to try to do on behalf of our constituents and the passengers of the airline industry and the others that are working on this. But I think we should not just focus on the inconveniences. We should focus on what is causing the inconveniences. That is where we have failed as a Congress and with previous administrations of both parties.

But the good news is what did do AIR-21. We can do a better job. But we need to get on with it. Because this problem is not getting any better. It is getting worse.

Senator WYDEN. Would the Senator—would the leader yield just for a minute? I want to associate myself with your remarks. I am absolutely committed to working with you and our colleagues on a bipartisan basis on the infrastructure issue.

For me, the concern is, it is going to take some time in order to get those infrastructure improvements. That is why I do not think we ought to leave passengers in the dark with respect to information that can make their life more bearable as we sort through the infrastructure issues. I thank the leader for yielding.

Senator LOTT. I believe the Chairman is——

Senator ROCKEFELLER. Senator Smith.

**STATEMENT OF HON. GORDON SMITH,
U.S. SENATOR FROM OREGON**

Senator SMITH. Thank you. Mr. Mead and Ms. Hallett, thank you for your testimony and this report. I am here to learn about the airline industry. I come to this committee quite knowledgeable about the agriculture industry. In the agriculture industry, a Federal standard set by the United States Department of Agriculture is always the floor.

Producers try and meet a standard of a customer or something higher than the government sets. It becomes a real assistance in increasing quality and service and frankly, I am wondering if, as

I learn about your industry, its complexity is so enormous and there are so many factors that go into serving customers at a price and quality they can afford.

I am wondering if having Federal standards in this area would not actually be helpful to at least establish a floor. Because on some critical areas, we are falling way short of that. I do not think either of you would defend a quarter of the flights being delayed or canceled and the inconveniences that flow from that.

I wonder if—I missed the first part of the hearing, and I apologize for that—but I wonder if you can tell me why Federal standards on some of these information aspects would not be helpful.

Mr. MEAD. Well, actually I think the standard that people be informed about delays and cancellations does make sense. Now, it is also true that in 1999 when the airlines entered into these commitments, some of the commitments they made, for example, holding a quoted fare or canceling a reservation within 24 hours without penalty, benefited the public fairly quickly. To establish that, the Federal Government would have had to do it through regulation or the outright adoption of a law that said that.

The Department of Transportation's track record, at least in the past, on passing regulations has not been stellar, 3.8 years. In this case, we got the benefit through a voluntary commitment from the airlines.

On some of these other areas though, sir, like bumping, basic disclosures, I think we should have a set, minimum guideline.

But as I was saying before, and perhaps this was before you came in, I would counsel to stay away from trying to legislate good service. You can get down in the weeds on this stuff very quickly. You say, well, your seat has to be such and such. We want so much leg room and that type of thing.

That is the only thing that makes me nervous about Federal standards. I think we are beginning to see some competition in the customer service area that I think is healthy. Certainly, we want to encourage that.

Senator SMITH. Ms. Hallett, along that same line, in responsibility ads, I think they are by American Airlines, where they were trumpeting and I think proudly and rightfully so many flights on time. It was a wonderful energetic ad that really made me attracted to their airline.

But I do not see that ad anymore. I hear a lot of complaints that things are not on time. Not just with them, but with airlines generally.

Understanding better the complexity of your industry, rising fuel costs, work stoppages, lack of runways and facilities, the government's failure of its part of this equation. I wonder if the airlines are just so besieged right now trying to stay in the game, not being overtaken by mergers or making a merger that the customer is just being lost in all of this. I wonder if you can speak to that general impression that I have and how specific questions as to quality or information might be helpful or hurtful.

Ms. HALLETT. Senator Smith, it is an interesting question. In my opening comments, I did mention that prior to this issue being brought to our attention in 1999, we were not devoting enough effort to the service to our customers. Believe me, the activity that

took place in 1999 got our attention as it well should. I am very pleased with the fair and serious analysis that we have received from the Inspector General.

I was very pleased to also hear his grading of us this morning. While we have areas where there is an enormous amount of work to be done, overall we have also accomplished a great deal.

This is just the beginning. When you have human factors to deal with, technology to deal with, none of it happens overnight. But the commitment is there from our CEOs on down to get better and better and better as we all must.

We want to work with you and the other members of this committee and the Members of Congress to ensure that we do not slip backwards. I do not believe you are going to give us that luxury anyway. But we do not intend to. This is a very serious commitment. From a voluntary standpoint, I think we may have done more than we might have through legislation.

An interesting comment about the 24-hour refund. Or not refund, but the 24-hour period in which one has now to pay for their ticket. It allows them to go out and shop for a better deal. But in the case of several carriers, they have now upped that anywhere to 48 and in one case 72 hours. That is strictly a competitive aspect of what is going on. There are a lot of pluses that are taking place and we are going to see many more in terms of trying to serve the customers.

Senator SMITH. Unrelated to this issue, the question I have because of what I was listening to in the questioning of others, Senator Fitzgerald raised a point that frankly startles me that there is not a monitor of all this traffic that has the ability to say yes and no. I am reminded in my own State flights have begun to be restricted for local reasons of noise abatement and quality of life issues and that clearly would be backing up airline traffic and creating congestion.

What is the impact of local decisionmaking on the whole problem of delays. Is not there a standard frankly that governs the whole country? Otherwise, you could have local problems developing in a very dramatic way if just so many per day can land. Apparently that is happening some places. Is that correct?

Ms. HALLETT. That is absolutely true. A good example that I mentioned previously is Logan Airport, Boston Logan, where all of the approvals have been given for the construction of a runway, an additional runway, that would add capacity. But sadly, it is a political issue where the local people are not going to approve that runway. We have that across the country. It will continue to have an enormous impact on our ability to serve the customer if we are not able to get runways built.

Senator SMITH. A local decision in Portland, Maine can make a big impact in Portland, Oregon.

Ms. HALLETT. Yes.

Senator SMITH. I guess I am just wondering is there a recommendation that you are making that there be this monitor that have the ability to help orchestrate traffic? Not just on safety, but just on honesty. So that passengers can have some expectation that what the schedule says has some authority behind it and they can rely upon it.

Ms. HALLETT. Well, the Inspector General was asked to look into this. He has indicated he will and we will certainly follow it very closely.

Senator SMITH. Thanks, Senator Rockefeller.

Senator ROCKEFELLER. Senator Wyden.

Senator WYDEN. Thank you, Senator Rockefeller. I just have a couple of questions. Having watched this committee now for a number of years, I think the issue is really going to come down to how do you make these rights enforceable? In particular, what kind of trigger would apply for the various kinds of key provisions. I just want to ask a couple of questions that will help us, I hope, as we try to deal with those issues.

Now, the first question for you, Mr. Mead, is my understanding is because of the deregulation years past, the Federal legislation, consumers in many instances face significant preemption issues when trying to address their rights at the State level. Is that your understanding as well?

Mr. MEAD. Yes.

Senator WYDEN. All right. If you could give us examples where consumers have been able under current law to enforce their rights at the State level, that would be very helpful. Because what I see happening is that you may end up with consumers essentially being lost and their rights being lost in this discussion about what they have under State law, because that has been referenced today, and what the Congress may create, I hope will create, under Federal law.

So if you will give us, given the fact that you have told us this morning there is a significant preemption issue now, give us some examples where consumers have been able to enforce their rights at the State level, that would be very helpful. Because I know in my home state, Oregon, we hear from people all the time about how they were supposed to be on tours and their flights were delayed six, 8 hours and missed the tour. They could not get reimbursement, went to court and they were told there is preemption. You have no remedy. You have got to go to the Federal level. So that would be very helpful to have a statement of the actions that have been brought successfully at the State level.

The other question that I wanted to pursue with you is that my inclination as we deal with this issue is to make the information disclosure provisions effective immediately. That would be—for example, the provision you have called for where there have been extensive delays 40 percent of the time or something of this nature, that would be effective immediately. But my inclination would be to give the airlines 6 more months, one last try for some of these provisions that you call for that would take a bit longer.

I know you cannot advise the Congress, but given the fact that this triggering mechanism I think is going to be the issue in terms of getting passengers some rights, if we teed it up along the lines I have just mentioned, would you find that consistent with your report to make the information disclosure provisions effectively immediately, information in their possession, give them 6 more months in some of these areas—say the frequent flyer arrangement. You make it clear that people are not getting a fair shake on frequent flyers. Give them 6 more months to straighten that

out. Would that kind of thing be consistent with the recommendations you make today?

Mr. MEAD. Yes, I think so. In fact, the preface to our recommendations says that Congress has the option of giving the airlines, for certain of those items, a fixed period of time to do it on their own. If I understand you, you are describing a two-pronged approach. One approach goes toward disclosure of various issues. The other goes toward more substantive things that you would look to the airlines to do. If they did not do it, well, then presumably you would come back in.

Senator WYDEN. Ms. Hallett, you have opposed everything I have proposed so far. Will you oppose that?

Ms. HALLETT. We will work with you, Senator Wyden. Again, without talking to the airlines first, I do not have the authority to do that. But we want to work with you on it. I think you are making a reasonable suggestion in many areas. We certainly will want to work with the Inspector General as well. We will take everything you have suggested very seriously.

Mr. MEAD. One area that I do not think you can solve overnight is the overnight accommodations one. For example, the question was put to me earlier, well, what would you suggest exactly should be the floor? I would have to think further and say what would the floor be? On that one, it is not just a disclosure issue. It is a substantive issue of what should the floor rightly be for a consumer caught at a connecting airport in a delay or cancellation situation?

On the other hand, as I indicated, I think that the point about disclosing these chronically delayed flights is more easily resolved. We better get going on that one real soon.

Mr. MEAD. I think that really hits the key issue. There are going to be some questions that take more time. I happen to think this issue of people being left on the runway is an important one—and we know what a miserable experience that is to just be out there with your little bag of pretzels for what seems to be an interminable period of time. We need to resolve the question of what rights would a passenger have in order to get off to come back? This kind of thing is not something that lends itself to a snap judgment from Washington, D.C. But I do think, Ms. Hallett, when you talk about the association, you are almost down to 2 members at this point with all these mergers.

Ms. HALLETT. Not really.

Senator WYDEN. I hope this time it will be different. Because we have tried to meet you halfway. I remember sitting with your members the night before we had a markup on the bumping issue where we still have problems. I said, look, I have got no problem with America's airlines selling people a flight on a flight that is fully booked as long as people are told that. So we are going to work with you on infrastructure. I hope that you will not fight us when we try to get enforceable protections for the passengers in this session of Congress. Senator Rockefeller, I thank you for indulging me.

Senator ROCKEFELLER. Never an indulgence, Senator Wyden. Always a pleasure. Let me just make a couple of comments and then we will adjourn. I thank both of you, all three of you. Ms. Hunt, you may want to say something in the course of this.

Mr. MEAD. Thank you. The reason that Ms. Hunt, and it is Robin Hunt, is at the table with me is because she is the leader, along with Mr. Scott Macey back here of my staff, that went around the country living through these 550 delays and cancellations. I thought that it would be good for her just to take a minute to give her impressions of the work if that is permissible, sir.

Senator ROCKEFELLER. Yes, it would be.

Ms. HUNT. Well, I think that Mr. Mead, in his statement, summarized the effort. Because obviously, it was not Scott Macey and myself. We had a huge staff that did spend a tremendous amount of time.

I think that the reason that those kinds of resources were committed was just to get a true understanding of how big the problem was. I think that the report fairly reflects that we did not just find isolated problems. We really tried to give every air carrier the coverage that they needed in all of the areas and do it thoroughly.

So I guess mainly that is why I am here, in case there were specifics that needed clarification. But I think that the report really reflects the extraordinary effort that went into this review.

Senator ROCKEFELLER. OK. Let me just summarize my thoughts on the moment and thank you all. I think there is blame enough for everybody on all of this. I think there is instinct on the part of politicians to look for victims and targets because it is easier that way.

I think to me the most interesting comments that came out of this hearing this morning were those just made by Gordon Smith who I went racing after to tell him, but he disappeared out that door.

That is what we in America, those of us in Congress, the American people, observers, those who write, et cetera, about all of this, seem to fail to recognize what this is—that aviation is as complex and huge an undertaking, as dominant in American business life and pleasure travel life and going back to college life, as Cisco is in the Internet.

I was having breakfast this morning and I read three articles about Cisco. Fine. Everybody wants to write about them because they are kind of new. Nobody wants to write about aviation, particularly because it is something which did—no, I am sorry back there. But to the scale, at the scale level, on something like IT.

I was interested in what Senator Burns said. It is not fair to criticize somebody behind his back, but I am going to do that. When he was doing tickets, it was a different world. There were not long waiting lines. So to say that all you have to do is make those people who are on the online up front positions feel better, act better, was more easily said back then than it is today.

The two most difficult jobs in my Senate office are those of the two people who are receptionists and who answer the telephone and who at 9 o'clock and at 6 o'clock have to be with five blinking lights or seven blinking lights, have to be to each individual West Virginian or other person calling, as courteous and warm. They cannot fake it. It has to be in your voice. That is virtually impossible to do.

So, No. 1, I am going to object to the idea of blame the up front people first. I am not saying that everybody has. But some people have.

Six hundred fifty million people coming to a billion people with insufficient people power in the most competitive industry in the world including the IT industry—including the IT industry—will not cut it. It will not cut it.

These are people who are under harassment for however long they work. I have seen airline customers abuse them in ways which you could almost take them to court for. Of course, they are legitimately angry because their flight has been canceled.

I noticed in my own behavior when I am trying to get on a flight to Charleston, West Virginia and I hear—I am talking to somebody else and I hear flight canceled, I charge over to the desk to find out if that was mine. No, it was going to Toronto. So, that is OK.

But, my reaction talks about what my expectations are. But my expectations may have nothing to do with the reality of the complexity of what it is that we are dealing with. I have said this before and I have said it on the Senate floor. I will continue to say it that we in Congress have a unique ability to not deal with the underlying infrastructure problems that are the basis of a lot of these complaints.

Now, I agree with what Senator Wyden said. If LaGuardia is going to add two more airways—which they will have to do regardless of what their local citizens and their environmentalists think, they are going to have to do it. Or else there is no point in us all sitting here and complaining because what happens at LaGuardia messes up in Charleston, West Virginia or Blue Field, West Virginia. That is the way it is. That or the hub, the spoke, gets killed.

That we are going to have to face those issues much more forthrightly.

I also think that it is hard when I happen to be a supporter of United/US Air/DC Air merger now added onto by others. I support it because it is good for my State and I think it is an access thing which works well. If it is good for my state, I am going to support it and I do. I could go on for a half hour, but I will not.

The mergers, though, are going to create further problems for you, Ms. Hallett. I mean, I think about the CSX Norfolk Southern merger on railroads. It is very odd. I do not like railroad mergers. They have no antitrust—they have antitrust protection. They should not. You do not. I do not like the way they behave. I do not like the way they treat captive shippers and all the rest, but that is another subject.

But it has been fascinating to watch those two cultures try to mix—Norfolk Southern and CSX to work themselves out. They cannot do it very well. Terrible, terrible problems. We saw that with Southern Pacific and Union Pacific and the other one in the West.

So I have to assume that mergers happen for a reason. I happen to think that the United/US Air one is more of a bailout than a merger. Because I do not think that US Air is going to be able to sustain itself. I think the same way with Continental.

Therefore, it may be a service to all of us that rather having no flights, they are taken over by stronger entities. But nevertheless,

having said that, that is going to create more problems because it will be more people under single management and more confusion.

So I guess I would note two things. One is that in your report, Mr. Mead, that on nine out of the 12 categories, the airline's got either an A or a B. In three categories, they got bad marks.

Am I to necessarily believe that the airlines having gotten good marks on nine things and not good marks on three things are going to try to improve? I think they are going to try to do that. Because I think competition will force them to. I think my getting on railroads and declining to fly, like those who support Amtrak, will encourage that kind of thing.

But all of this is within the context of a billion passengers of FedEx being I think the second largest airline in the world in terms of the number of planes. We do not even think about that. No passengers, but lots of packages. They have to have runways too, UPS, et cetera.

I think the point made about labor is a legitimate one. I think labor is very much aware of this. There is enormous discrepancy between what pilots make on the main line and what they make in commuter airlines.

If I were a pilot on a commuter airline, I think I would notice that. They are not the ones who are doing job actions which you have got the mechanics and you have got the flight attendants and the rest of it. All of these things I think are factors.

But I think the overlay of all of this is the enormity of the industry, the complexity of the industry, the fact that so few people pay that much attention to it. Ron Wyden, you are one of them. You can see that Gordon Smith is going to be another of them. I think that we are going to have to do a whole lot of things in this country which are not particularly popular.

It was very interesting to me that—this will be apropos of nothing, but I am going to say it anyway—that England was going down in World War II. President Roosevelt, with all of his persuasive powers, could not convince the Congress or the American people to even do lend lease, which I do not think was either constitutional or legal. But he came up with it. The person who saved that, who made it possible, was not President Roosevelt, was not the American people, but was a man named Wendell Wilkie who Roosevelt had just defeated who came and testified before Congress to tell the truth.

All of a sudden, we passed lend lease and the whole course of things began to change.

I say that only to say that the ability of the Congress, of the American people, of the industries that we deal with, to overlook problems or not deal with them or be unable to talk to each other in sort of anything but hearing style manners where we carefully phrase or whatever is regrettable I think and not helpful.

But I will conclude on the fact that I remain hopeful. I share Ron Wyden's impatience. I do not particularly want to regulate seat width. I do believe, because I know most of the airline executives, that they are on the front lines of trying to make things better. I do think after 1 year that nine out of 12 getting an A or a B is not bad and it is worth at least a second year to see what happens.

But this is the most complex industry that I know of. I think we have to give them a chance and push them and be angry about them and take trains if we are or whatever. But that we have to give them the chance to pick up on the essential needs of the on-aircraft delays that you mentioned, the bumped passengers, notifying customers of delays, cancellations.

I think there are ways those can be done. I think we ought to give them the chance to do that.

Unless you have something to say? The meeting is adjourned. Thank you.

[Whereupon, at 11:40 a.m. the hearing was adjourned.]

