

Opening Statement of Senator Jean Carnahan
Senate Committee on Commerce, Science, and Transportation
Hearing on Nomination of Norman Mineta to be Secretary of Transportation
January 24, 2001

Thank you, Mr. Chairman and thank you Senator Hollings. Let me just start by saying how truly honored I am to be a member of this Committee.

I would also like to say welcome and congratulations to Mr. Mineta and his family. Mr. Mineta served the prior administration with distinction and I am confident that he will do so again in the new administration.

I am eager to work with you in the days ahead to address issues such as our highway and mass transit systems -- both of which are of great concern to the people of Missouri. There is one specific issues, however, that I would like to address this morning -- the acquisition of Trans World Airlines by American Airlines.

Mr. Chairman, I understand and share many of the concerns that my colleagues have expressed with regard to increased consolidation in the airline industry. Several of the recent high profile deals that have been proposed may alter the structure of the aviation industry and thus raise questions about possible reductions in competition.

I also believe, however, that we must recognize a *fundamental* difference between the American/TWA transaction and the other airline mergers that are currently under consideration. While we may be initially inclined to view all of the current airline mergers in the same light, we must consider the American Airlines' acquisition of TWA independently of the other proposed mergers.

The primary difference with the American/TWA deal is that TWA is a financially distressed firm and cannot be saved or revived without intervention like that proposed by American Airlines. Unlike prior financial difficulties at TWA, it is very clear that at this point, if left alone, they would be forced to shut down and liquidate.

The current management team at TWA and TWA's employees have done an outstanding job in recent years at turning the carrier into an efficient, on-time airline. In fact, TWA's recent efforts to improve service resulted in recognition within the airline industry for on-time operations, fewest customer complaints and least lost luggage.

Unfortunately, however, the company's mounting debt and poor credit, coupled with continued problems associated with a prior separation agreement with Carl Icahn, caused irreparable damage to the airline. Ultimately, these problems became too burdensome to overcome, even for one of the industry's most dedicated workforces.

Two weeks ago, however, American Airlines proposed to acquire substantially all of TWA's operating assets. TWA's board of directors approved.

Considering TWA's financial circumstances, American Airlines' offer to purchase substantially all of TWA's assets represents the best possible scenario for TWA customers, employees, and for the state of Missouri. TWA employs approximately 20,000 people, over 12,000 of them in Missouri. Furthermore, St. Louis' Lambert International Airport, where TWA is headquartered, has an annual economic impact of \$5 *billion* on the region. Officials at American have assured me that they plan to offer employment to substantially all of TWA's contract employees, to maintain St. Louis' status as a "hub", and to keep TWA's maintenance base in Kansas City -- and I will be monitoring the situation closely to ensure that they stand by their commitments. Only an arrangement such as this one, in which TWA is sold virtually intact, will ensure continued employment opportunities for TWA employees, and will enable St. Louis to remain a hub.

Therefore, Mr. Chairman, please let me reiterate that I too have serious reservations about the increased consolidation in the airline industry. Like all of you, I am concerned about fewer travel options, higher fares and lower levels of service. However, as a Senator from Missouri, I cannot overlook the damage -- particularly the loss of jobs -- that TWA's closing would have on my state and on the nation as a whole.

Mr. Chairman, I hope that you, Mr. Mineta and the other members of this committee will understand the different set of circumstances surrounding the TWA/American Airlines deal when assessing this acquisition.

Mr. Mineta, thank you for appearing here today and for your willingness to continue your public service. I look forward to working with you in the days ahead. Thank you.