

STATEMENT OF SENATOR SLADE GORTON
CHAIRMAN, AVIATION SUBCOMMITTEE
SENATE COMMITTEE ON
COMMERCE, SCIENCE, AND TRANSPORTATION
FULL COMMITTEE HEARING
ON ANTITRUST ISSUES IN THE AIRLINE INDUSTRY
JULY 27, 2000

The airline industry is not like others in the United States. Much of what sets it apart is how closely tied it is, and has been, to the federal government. Until 1979, that connection was most notable in the economic regulation of the industry. The primary link now is the significant public investment in the infrastructure that supports air transportation. The air traffic control system and airport development are supported in large part by the traveling public, who pay an assortment of taxes and fees that are dedicated to funding the needs of the system. Even airport rates and charges, which are imposed on airlines, are more than likely passed on to the passengers in the form of higher ticket prices.

Transportation industries have always been treated differently. The concept of a common carrier derives from the policy view that forms of transportation are akin to public utilities. The free movement of persons and goods is viewed as a necessity and a right. For these reasons, significant government involvement in transportation has been the norm in the U.S., and most of the rest of the world. In recent years, there has rightly been a movement away from unnecessary and harmful aspects of government intervention. Deregulation of airline routes and fares is one example. Perhaps a time will come when much of the aviation infrastructure is privatized, but there will probably always be a role for the government. The needs of public safety alone will always lead to some level of oversight.

It is in this context that Chairman McCain and I introduced a Senate resolution yesterday to express our serious doubts about the proposed merger of United Airlines and US Airways. We have thoroughly examined this issue, and listened to the views of both supporters and opponents of the merger. The inescapable and regrettable conclusion is that the public good will probably not be served by this transaction. The likelihood of further consolidation and less competition is too high.

Our responsibility as members of this committee is to guard the public interest in matters such as these. I see little benefit in a combination of these two carriers. United presently ranks at or near the bottom in many of the DOT's consumer

rankings. Trying to absorb another airline with a different corporate culture is unlikely to improve the situation. Between the negative impact on competition and the further degradation of customer service, the public interest will not be served by the dramatic change in the industry that this merger would surely effect.

Although I still approach these matters from the position that less government tends to be better government, there is still a place for some involvement in the airline industry. Consolidation and concentration are not my only worries, however. Last week's hearing on the use of the Internet to distribute airline tickets highlighted a new concern. The airline joint venture, known as Orbitz, raises questions about inappropriate coordinated action among the industry's most powerful players. Given the history of the computer reservation systems, any effort by the airlines to take control of automated information and distribution channels needs to be viewed skeptically.

Despite the fact that the government must play some part in ensuring that the airline industry marketplace operates as intended, we must be wary of over-involvement. As Mr. Klein himself said last year, "If you don't let the players play . . . you can ruin the game. Markets are rough places and, though competition is not always pretty, allowing it to flourish is ultimately in our best interest." On this point, Mr. Klein and I certainly agree.