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Transportation  
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**MR. CHAIRMAN AND MEMBER OF THE COMMITTEE, I THANK YOU FOR YOUR INVITATION TO APPEAR TODAY. I WILL COME STRAIGHT TO THE POINT.**

**SINCE I LAST HAD THE PRIVILEGE OF TESTIFYING BEFORE THE COMMITTEE SOME SIX MONTHS AGO, I BELIEVE MOST OF THE THINGS I WARNED ABOUT HAVE TAKEN PLACE, OR ARE TAKING PLACE: INCREASED MOMENTUM FOR INDUSTRY CONSOLIDATION, HIGHER FARES, POORER SERVICE, AND THE FAILURE OF MORE LOW-FARE CARRIERS.**

**PERMIT ME TO MAKE A NEW PREDICTION: UNLESS THE CONGRESS AND/OR THE EXECUTIVE BRANCH TAKES DECISIVE ACTION SOON, THEN BY THE END OF THE YEAR THIS PARTY WILL BE OVER. THE CONSOLIDATION AGREEMENTS WILL BE VIRTUALLY COMPLETE IN A LEGAL SENSE, LABOR AGREEMENTS FOR MERGING CARRIERS WILL BE UNDER NEGOTIATION, AND CONSUMERS HAD BETTER FASTEN THEIR SEAT BELTS—THEY WILL BE IN FOR A VERY ROUGH RIDE AND A VERY HARD LANDING.**

**THAT WOULD BE A TRAGIC FAILURE OF PUBLIC POLICY, AND IT WILL BE AS SIGNIFICANT TO THE CONSUMER AS WAS THE DEREGULATION OF THE AIRLINE INDUSTRY MORE THAN 20 YEARS AGO—BUT WITH A MUCH DIFFERENT AND UNFAVORABLE IMPACT.**

**LET ME REMIND THE COMMITTEE THAT WITH ONE IMPORTANT QUALIFICATION, I DO NOT OPPOSE AIRLINE MERGERS AND CONSOLIDATIONS. I RECOGNIZE THAT THE JOBS AND THE SERVICE PROVIDED BY THE MEN AND WOMEN WHO WORK IN THE AIRLINE INDUSTRY IN ST. LOUIS OR PITTSBURGH OR WASHINGTON ARE JUST AS IMPORTANT AS AIRTRAN JOBS IN ATLANTA OR ORLANDO.**

**I ALSO RECOGNIZE THAT WITHOUT CONSOLIDATION, THERE WILL BE BANKRUPTCIES, SERVICE DISRUPTIONS, JOB LOSSES, AND, IN THE END, THE MAJOR CARRIERS WILL HAVE PICKED THE BONES OF THE FAILED CARRIERS. WE WOULD END UP WITH THE SAME ANTI-CONSUMER LANDSCAPE WE CAN EXPECT IF ALL THE MERGERS AND ACQUISITIONS ON THE BOOKS TODAY ARE CARRIED FORWARD, EXCEPT WORSE.**

**LET ME TAKE A MOMENT TO TALK ABOUT THE SPECIFIC PROPOSALS BEFORE THE COMMITTEE THIS MORNING.**

**FROM A PUBLIC POLICY PERSPECTIVE, THE UNITED/AMERICAN/USAIRWAYS AGREEMENTS CANNOT BE SEPARATED FROM THE AMERICAN/TWA ACQUISITION.**

**AMERICAN IS THE BRIDGE THAT LINKS ALL OF THE PROPOSALS.**

**LET US ALSO UNDERSTAND THAT THIS IS THE BIGGEST CONSOLIDATION IN THE HISTORY OF AMERICAN AVIATION. IT INVOLVES TWO OF THE LARGEST AIRLINES IN THE WORLD CARVING UP A MARKET. IF THESE SERIES OF TRANSACTIONS GO FORWARD THERE WILL NO BASIS FOR STOPPING DELTA FROM ACQUIRING EITHER NORTHWEST OR CONTINENTAL AND LEAVING 75% OF THE PASSANGER SEATS IN THE NATION IN THE HANDS OF THREE AIRLINES.**

**THAT LEVEL OF CONCENTRATION LEAVES NO ROOM TO EVEN PRETEND THAT THERE WILL BE PRICE COMPETITION. HISTORY TELLS US THAT THE MAJOR CARRIERS SUPPORT PRICE MAINTENANCE NOT PRICE COMPETITION.**

**LOOK FOR JUST A MOMENT AT THE ELEMENTS OF SOME OF THESE AGREEMENTS.**

**THE FIXING OF FARES AND SCHEDULES IN THE SHUTTLE MARKET – CLEARLY IDENTIFIED AS ONE THE TERMS OF THE AMERICAN/UNITED AGREEMENT - IS**

**UNPRECEDENTED AS IS THE LEVEL OF COOPERATION THAT THE GOVERNMENT IS BEING ASKED TO ENDORSE. IT TAKES THE CONCEPT OF "TRUST ME" TO NEW HEIGHTS.**

**ALL OF THIS IS TAKING PLACE WHEN COMPETITION IS AT THE LOWEST POINT IN TWENTY YEARS.**

**FROM THE CONSUMERS' PERSPECTIVE IT WILL NOT MATTER HOW AMERICAN GOT TO CONTROL THE SLOTS AT REAGAN WASHINGTON NATIONAL AIRPORT OR HOW UNITED AND AMERICAN GOT TO SET FARES AND SCHEDULES ON THE SHUTTLE. THE ONLY THING THAT WILL MATTER IS WHY THEY ARE PAYING SO MUCH FOR AIRPLANE TICKETS WITH SO LITTLE CHOICE OF AIRLINES.**

**AMERICAN AND UNITED ARE TRYING TO GROW THROUGH THE ACQUISITION OF WEAKER COMPETITORS.**

**MASS MATTERS. THE SINGLE CARRIER SERVICE AMERICAN AND UNITED TELL US PROVIDE BENEFITS TO THE CONSUMER ALSO MEANS THAT EACH CARRIER CONTROLS 25% OR MORE OF ALL SEATS SOLD IN THE NATION.**

**MASS MEANS THEY CONTROL GATES AND THROUGH SLOTS THE AIRWAYS.**

**UNLESS THE GOVERNMENT ACTS AGGRESSIVELY NOW TO PROTECT THE CONSUMER AND TO PROVIDE TO LOW COST CARRIERS LIKE AIRTRAN ACCESS TO SCARCE BASIC FACILITIES – GATES AND SLOTS – COMPETITION WILL SUFFER AND PRICES WILL RISE.**

**THE AIRLINE MARKETPLACE BELONGS TO THOSE AIRLINES THAT HAVE CRITICAL MASS.**

**THAT IS MARKETPLACE REALITY.**

**THE GOVERNMENT MUST NOT ALLOW THE MAJOR AIRLINES TO EFFECTIVELY BLOCK THE ABILITY OF LOW FARE CARRIERS LIKE AIRTRAN TO GAIN CRITICAL MASS .**

**MASS MEANS NETWORKS – THE ABILITY TO FLOW PASSENGERS OVER A HUB TO MULTIPLE DESTINATIONS – WHETHER THAT HUB IS A TRADITIONAL ONE OR AN EFFECTIVE ONE AS IS THE CASE WITH THE SOMEWHAT LINEAR SOUTHWEST STRUCTURE.**

**SOUTHWEST AND NEW ENTRANTS ARE THE ONLY CARRIERS THAT OFFER EFFECTIVE FARE COMPETITION, YET THE NUMBER OF NEW ENTRANTS IS AT AN ALL TIME LOW JUST AS THE MAJOR CARRIERS ARE CONSOLIDATING EVEN MORE TO PROTECT THEIR FRANCHISE.**

**AIR TRAN IS A SURVIVOR THAT DEMONSTRATES WHAT A STRONG NEW ENTRANT CAN DO FOR THE CONSUMER WHEN IT HAS ACCESS MARKETS.**

**AIRTRAN EACH YEAR SAVES THE ATLANTA CONSUMERS MORE THAN \$400 MILLION DOLLARS IN AIRFARES BECAUSE WE HAVE MASS IN ATLANTA – MASS THAT WE GOT ONLY BECAUSE EASTERN AIRLINES WENT BANKRUPT AND FREED UP 22 GATES. THAT DOES NOT HAPPEN VERY OFTEN AND THE AMERICAN CONSUMER SHOULD NOT HAVE TO DEPEND ON HAPPENSTANCE TO HAVE ACCESS TO LOW FARE AIRLINES.**

**SOUTHWEST DISCIPLINES FARES IN SOME MARKETS BECAUSE IT HAS A NETWORK THAT IMMEDIATELY ALLOWS IT TO ENTER A MARKET AND PROVIDE CONSUMERS WITH DESTINATIONS ALL ACROSS ITS SYSTEM. ITS NETWORK GIVES SOUTHWEST ITS STRENGTH – IT CAN COMPETE ACROSS A BROAD SPECTRUM OF ROUTES.**

**BLOCKING COMPETITORS ABILITY TO DEVELOP A NETWORK IS THE END PRODUCT OF THE UNITED/AMERICAN AGREEMENTS AS THEY ARE PRESENTLY STRUCTURED.**

**THROUGHOUT THE NORTHEAST, AMERICAN AND UNITED WOULD EFFECTIVELY CONTROL ACCESS TO GATES AND SLOTS. NO PLACE IS THAT MORE EVIDENT THAN AT REAGAN WASHINGTON NATIONAL AIRPORT.**

**CONSUMERS TRAVELING OUT OF NATIONAL PAY PREMIUM PRICES BECAUSE ACCESS TO GATES AND SLOTS IS TIGHTLY CONTROLLED.**

**SOUTHWEST MAY SELL “WALK-UP” ROUNDTRIP TICKETS OUT OF BALTIMORE TO A CITY LIKE HARTFORD FOR \$120, BUT SOUTHWEST’S FARES HAVE IN NO WAY STOPPED USAIRWAYS FROM CHARGING \$628.50 FOR THAT SAME TICKET. THAT \$500 DOLLAR PLUS PREMIUM REFLECTS THE IMPORTANCE OF NATIONAL AS A UNIQUE FACILITY PRECISELY BECAUSE ACCESS IS CONTROLLED BY REASON OF GOVERNMENT LICENSING OF ACCESS – SLOTS.**

**IF THE GOVERNMENT – WHETHER IT BE THE DEPARTMENT OF JUSTICE IN ITS ANTITRUST REVIEW OR THE DEPARTMENT OF TRANSPORTATION DECIDING TO SIT ON ITS RIGHTS AND DO NOTHING – PERMITS THE AMERICAN/UNITED COMBINATION IN THE FORM PROPOSED, THOSE KIND OF PREMIUM FARES WILL BE THE NAME OF THE GAME IN THE NORTHEAST.**

**THOSE PREMIUM FARES EXPLAIN WHY BOTH AIRLINES ARE PREPARED TO PAY SO MUCH FOR THESE ASSETS AND PUT UP WITH ALL OF THE LABOR AND OPERATIONAL PROBLEMS THAT WILL FOLLOW – IN THE CURRENT FORM OF THE MERGERS – THE MAJOR AIRLINES WIN AND THE CONSUMER LOSES BIG TIME.**

**THAT IS MARKETPLACE REALITY.**

**THAT IS THE EFFECT OF GOVERNMENT DECISION MAKING IN THESE CASES.**

**AIRTRAN AND OTHER LOW FARE CARRIERS NEED ACCESS TO GATES AND SLOTS TO DISCIPLINE FARES FOR THE BENEFIT OF CONSUMERS AND COMMUNITIES UP AND DOWN THE EAST COAST.**

**THE AIRTRAN BUSINESS MODEL WORKS AS WELL IN WASHINGTON AS IT DOES IN ATLANTA.**

**WITH A MEANINGFUL NUMBER OF SLOTS AT WASHINGTON NATIONAL, AIRTRAN BRINGS NO LESS THAN \$600 MILLION DOLLARS IN SAVINGS TO CONSUMERS TRAVELING THROUGH AND TO WASHINGTON NATIONAL AIRPORT WHETHER THEY ORIGINATE IN CHARLESTON WEST VIRGINIA OR ROCHESTER NEW YORK. SIGNIFICANT ACCESS TO LAGUARDIA SLOTS OR GATES IN PHILADELPHIA ALLOWS US TO PROVIDE SAVINGS UP AND DOWN THE EAST COAST BUT WITHOUT ACCESS WE CAN ONLY STAND OUTSIDE AND WATCH THE MAJOR AIRLINES EXTRACT PREMIUM PRICES FROM CAPTIVE CONSUMERS.**

**WE BELIEVE THAT THE CHOICE FOR THE GOVERNMENT IS SIMPLE, LET AMERICAN AND UNITED CREATE FORTRESS NORTHEAST OR LET CONSOLIDATION GO FORWARD WITH MEANINGFUL PROTECTIONS FOR THE CONSUMER.**

**THAT IS MARKETPLACE REALITY.**

**DEREGULATION WAS SUPPOSED TO PROVIDE A LEVEL PLAYING FIELD AND HEALTHY COMPETITION. THE DEREGULATION ACT CHARGES THE DEPARTMENT OF TRANSPORTATION WITH RESPONSIBILITY FOR FACILITATING NEW ENTRY AND COMPETITION IN THE AIRLINE INDUSTRY. WHILE THIS IS THE MANDATE, IN REALITY DOT HAVE DONE VIRTUALLY NOTHING TO HELP DOMESTIC COMPETITION AND NEW ENTRY.**

**AT STAKE RIGHT NOW IS THE WELL-BEING OF THE AMERICAN FLYING PUBLIC FOR A GENERATION TO COME.**

**AT STAKE IS HUNDREDS OF MILLIONS OF DOLLARS IN SAVINGS THAT CAN BE PUT IN THE POCKETS OF THE CONSUMER.**

**AT STAKE IS WHETHER SMALL AND MEDIUM SIZED CITIES CAN REVIVE THEIR ECONOMIES WITH THE NEW BUSINESS OPPORTUNITIES THAT COME WITH COMPETITIVE, LOW FARE SERVICE.**

**I URGE YOU TO GIVE THE CONSUMER SOME HOPE FOR A BETTER DAY BY USING YOUR AUTHORITY TO URGE THE DEPARTMENT OF JUSTICE AND THE DEPARTMENT OF TRANSPORTATION TO OPEN MAKE ACCESS THE HALLMARK OF DECISION MAKING IN THESE MATTERS. WE CANNOT WIN THE BATTLE FOR COMPETITIONIF WE CANT GET ON THE BATTLEFIELD.**

**THANK YOU.**