American Airlines
Testimony of Donald J. Carty
Chairman and Chief Executive Officer
Senate Commerce, Science and Transportation Committee
September 14, 2000

Mr. Chairman and Members of the Committee, I very much appreciate the opportunity to testify today on the issue of air traffic delays. I am here to testify in my capacity as Chairman of American Airlines. But I am also here to listen to you in my role as Chairman of the Executive Committee of the Air Transport Association, which represents carriers providing more than 85 percent of the air transportation in the United States today. I will convey to my colleagues the concerns and suggestions that you and others offer today.

There is certainly no more appropriate forum in which to have this discussion than the Senate Commerce Committee, since it was here -- over four years ago -- that a bill was written creating the National Civil Aviation Review Commission, chaired by the current Secretary of Commerce, Norm Mineta. The very first sentence of the Commission's report reads as follows:

> "Without prompt action, the United States' aviation system is headed toward gridlock shortly after the turn of the century. If this gridlock is allowed to happen, it will result in a deterioration of aviation safety, harm the efficiency and growth of our domestic economy, and hurt our position in the global marketplace."

Mr. Chairman, the future is now. As we have turned the corner into the 21st Century, the predicted air traffic control crisis is clearly upon us. To the great credit of this Committee, you were among the first to identify the problem. But permanent solutions still elude all of us.

For a variety of reasons, this summer has been particularly hard on airline passengers. A combination of extraordinary load factors, unusual weather, and a particularly difficult situation at one large carrier has contributed to the problem. But the crisis extends well beyond the unusual circumstances of this summer. It will not go away by itself.

Some people have argued that the airline industry is oblivious to the problem. Nothing could be further from the truth. This is a problem of which we are acutely aware and on which we are working every single day. We have numerous short-term initiatives underway, many in full cooperation with the Federal Aviation Administration. I will discuss some of these today. But as you demonstrated four years ago, long-term, permanent solutions require much bolder action.

Schedule delays and cancellations cause numerous downstream problems including missed connections, lost baggage, crews running out of time to fly, and people stranded in airports. Most important, they cause unhappy customers. And unhappy customers don't return.

That's why we at American recently changed our incentive compensation program for officers and senior management to include schedule dependability as a major factor. By aligning our own economic fortunes directly with the needs of our customers, we are more focused than ever on making the system work. As a result, we have devoted countless hours to the many industry-wide working groups that are tackling various parts of the problem.

While we are diligently working in partnership with the Federal Aviation Administration to find short-term fixes, we need to also focus more clearly on the long-range solutions. You have begun that process by designating the appointment of a Chief Operating Officer for Air Traffic Control and a management board to oversee the operations. That is an excellent start. But I would urge you as you go

into the next Congress to dust off the Mineta report and see if the proposed long-term solutions don't still work. I think they do.

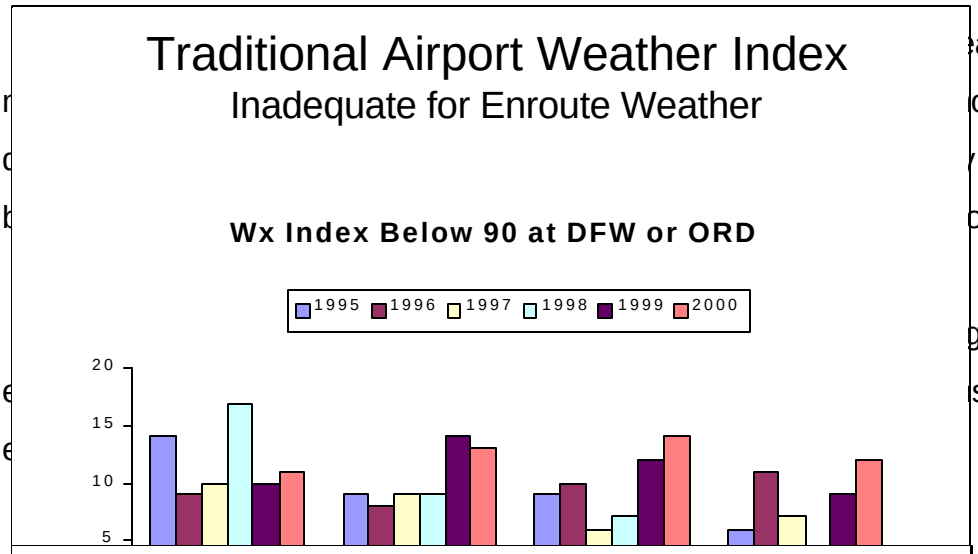
There is actually one very positive aspect of the current crisis. It is driven, in large part, by an extraordinarily robust economy that, in turn, is driving unprecedented demand for air travel. Compared to where we were in the depth of the economic crisis of the early 90's, this is a very fine problem to deal with. Yet it is still a problem.

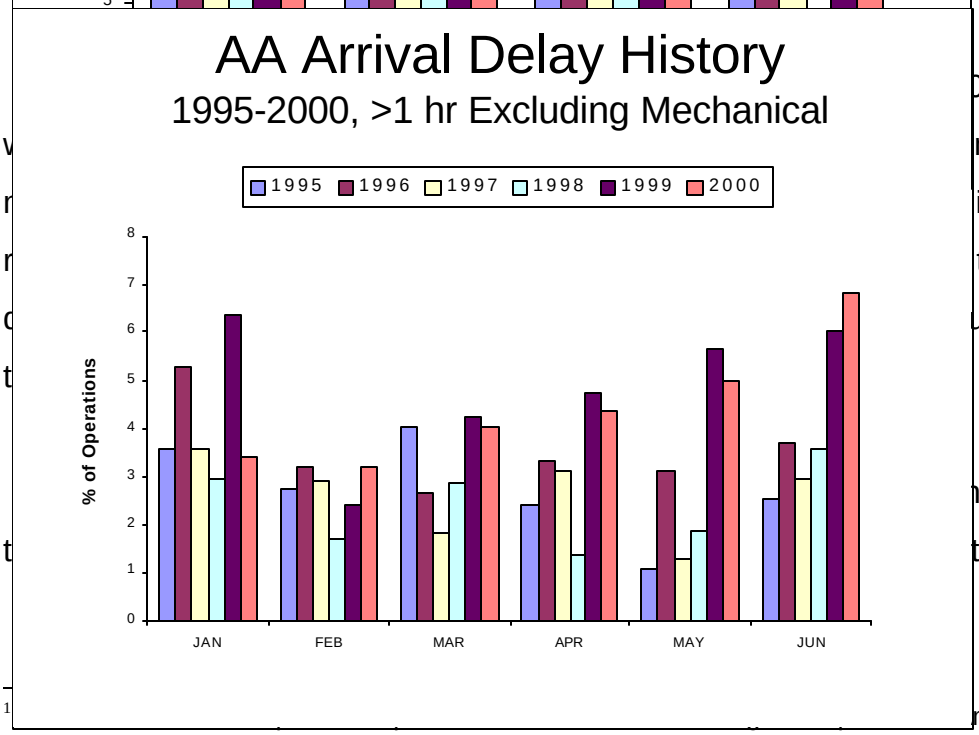
Before talking about solutions, let me address one particularly troublesome issue for many of us. Some have said we "overschedule" our fleet. If, in fact, we were flying empty planes in crowded skies, we would be guilty as charged. But most airlines clearly are not doing so. Let me assure you, that I have never had a single complaint from a customer telling me that we have too many flights going in their direction. This summer our system-wide load factor ran in excess of 80 percent. One day this summer we at American had a system-wide load factor in excess of 90 percent. That is unprecedented, and it means that we are turning away people who want to travel in our busiest markets because we have run out of seats. Moreover, we schedule the flights to match our customers' preferred departure and arrival times. Meeting our customers' needs necessarily means operating more flights in the early morning and evening than across the middle of the day.

Today, there are simply more people who want to fly than the system can handle. The question, in my view, should not be how can we reduce capacity, which would inevitably push up prices. Rather, it should be how can we safely expand capacity to meet demand and continue to keep prices down.

Of course, there will always be some things which neither the airlines nor the FAA will be able to do much about. One of the biggest is weather. As we review

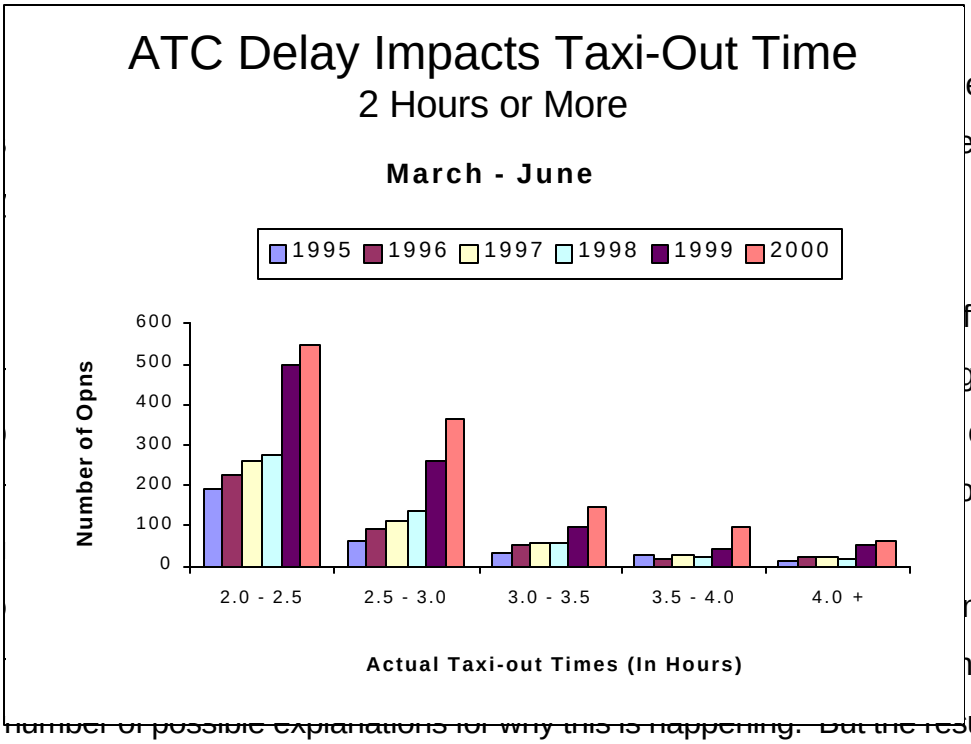
this summer, it is certainly worth looking at some weather data to put the current situation in perspective. The chart below compares the spring weather at Dallas-Ft. Worth and Chicago year-over-year for the past six years. You will immediately see that the last two years have, indeed, been more weather-impacted than average.





[1] merican, like many other airlines will unilaterally cancel some of its flights in advance when we can forecast congestion due to weather or other causes. By canceling flights in advance, we are reducing demand on the ATC system, reducing the ripple effect caused by delays and we can get a head start on re-accommodating our passengers on flights that are more likely to operate on schedule. Thus, the delay statistics may improve at the expense of flight cancellations. To get a truer picture, both statistics need to be considered together.

to ATC problems. This means the number of hours the plane sits on the runway after it pulls back from the gate but before it is allowed to take off.



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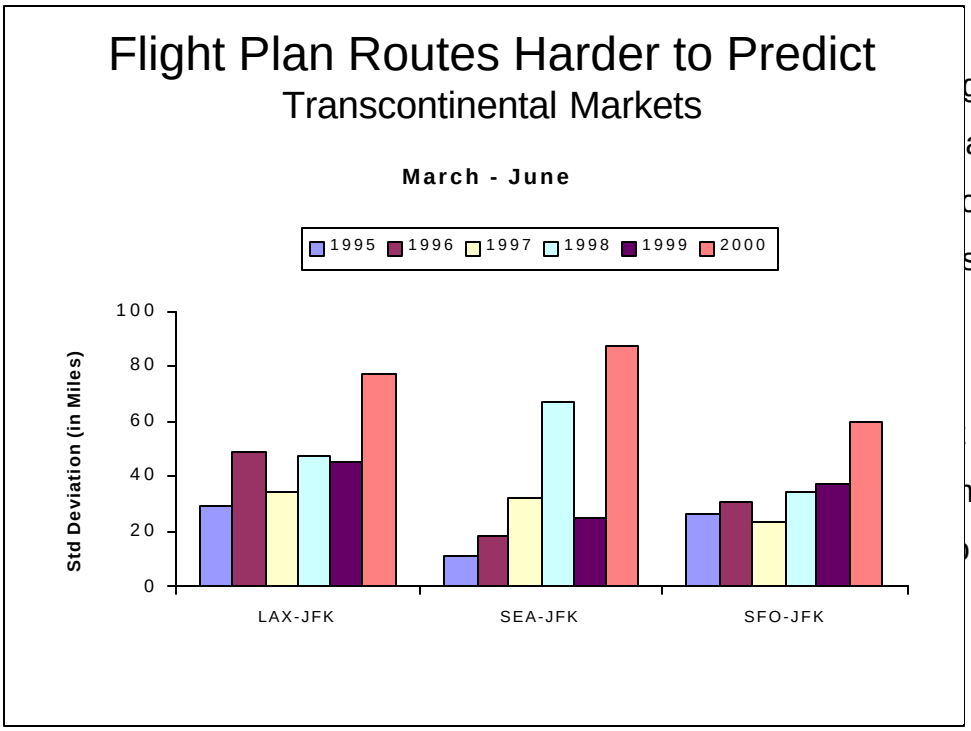
number of possible explanations for why this is happening. But the result is longer time in the air, more fuel burned, flight delays, more missed connections and passenger inconvenience as well as greater costs all round.



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To begin with, the magnitude of American's commitment to improved dependability can be seen in a bevy of changes we have made – or are about to make – to our own flying schedule. Over the years we – like every other carrier – have frequently had to add a cushion of extra time to our schedules to overcome air traffic control problems, and ensure that we were able to deliver what we promise our customers. But what we are embarking on this fall is much more comprehensive.

At American, while our network is far-flung to say the least, our major connecting hubs at Chicago O'Hare and Dallas / Fort Worth – which between the two account for close to 40% of our total departures -- really drive the performance of our system. If either one of those hubs – for whatever reason – falls behind, it's difficult if not impossible for the rest of our operation to pick up the slack. This fall, at both O'Hare and DFW, we're increasing the time our planes are scheduled to be on the ground, and we're increasing the amount of time connecting passengers have to get to their next flight. This step is driven entirely by our desire to better serve our customers. We would naturally prefer to use our aircraft – which represent billions of dollars worth of investment – as intensively as possible, but we are nonetheless injecting significantly more breathing room into our schedule in order to better match our actual operations with our customers' expectations.

At O'Hare, which as you know suffers from both congestion and frequent bad weather, we're taking things even farther. Effective November 1st, we will be isolating our Chicago system from the rest of the network – in effect, putting up a firewall to prevent, as much as possible, weather, Air Traffic Control, or any other Chicago-related problem from impacting the rest of our system.

There are thousands of factors that have combined to create the operational quandary in which we find ourselves today, and it will take thousands of initiatives – some big, some small – to get us out.

Another near term solution, which involves working cooperatively with the FAA, involves alternative routings. The airlines have begun flying many routes at lower altitudes. This practice, like less intensive aircraft utilization, is costly since flying at lower altitude burns more fuel – but it is helping to increase airspace capacity. We've also gotten more creative about using alternative routes in the event of severe weather. For example, we are working with the FAA to explore access to airspace previously restricted for military use, much of which can be made available to commercial operations on a short-term basis during severe weather without any adverse impact on military training or other use. Several airlines have also signed an agreement with NavCanada to operate in Canadian airspace – for a fee – when weather restricts U.S. routes.

Obviously, delays in and of themselves are bad. But I think everyone here would agree that one of the most frustrating aspects of delays occurs when communication breaks down – either between air traffic control and the airlines, or between various departments within the airline, or most of all, between the airline and our customers. In a fast-changing situation, communication will always be a challenge.

But we're working the problem in two ways. First, we're collaborating with the FAA to improve the accuracy and timeliness of information from air traffic control to the airlines. And second, we have begun a program to better inform our customers about the status of their flight. This probably sounds easier than it is, since it involves getting accurate up-to-the-minute information from the FAA to our people on the airplane, inside the airports, and at our reservations systems – to

ensure that in the event of a delay, customers get consistent, accurate and timely information about what's going on.

In so many cases, communication can mean the difference between a problem and a crisis. As you know, the airlines are very restricted by competition laws in the kinds of communicating they are allowed to do with each other. I think it would be very helpful to give the FAA the authority, on a case by case basis, to grant temporary anti-trust immunity to airlines in the midst of an air traffic control crisis. This would allow the airlines involved to talk about how best to arrange their schedules, and help prevent a bad day from becoming a customer service catastrophe.

Another way we can improve things in the short term is to build a better set of metrics against which to judge the performance of our air traffic control system. Today, while airline performance is measured in a variety of ways, there are no comparable measures for the ATC system. We need to establish reasonable standards of performance, and then hold ATC accountable for meeting those standards.

The good news is that we have been working with the FAA to design appropriate metrics, and soon there will be a daily report that measures system performance. And our hope, naturally, is that the report will be a useful tool for measuring the progress we expect in the years to come.

As we try to use our current capacity more efficiently, we also need to acknowledge that in the long term, we are going to need more fundamental changes to produce the capacity to match the increased customer demand we know is coming.

In the medium term we need to explore the redesign of airspace and route structure especially where growth in demand is expected. We need to design and build the aviation equivalent of an eight-land highway today where we can predict the traffic will be tomorrow. Airspace redesign will be dependent on new technologies such as digital voice and data transmission that will partially overcome the limits on radio spectrum we suffer today.

One technical innovation that we think is critical to enhancing system capacity in the years to come is global positioning system technology, or GPS. In our view, GPS and its augmentation systems should be endorsed as the navigation system of our industry's future. GPS has the potential to help solve our airspace capacity crunch. But that won't mean much if we don't also find a way to increase airport capacity. One promising technology – AVOSS – which measures the wake turbulence of aircraft and allows closer spacing, is one way to increase arrival and departure rates on existing runways. But ultimately we will have to meet the growing demand by building more runways as well.

All of these are sensible steps that we think can create important incremental improvements. But it's clear that in the long term, we need fundamental reform of the air traffic control system. We need to find ways to bring private sector disciplines to bear on the delivery of air traffic control. What I would suggest is that all of us spend a lot of time, between now and the beginning of the next session of Congress, thinking and talking about the best ways to do that. Obviously, this is an issue that the Commerce Committee has had in its sights for some time. The aforementioned Mineta Commission provided us with an outline on how effective FAA reform might take place, and I think we need to revisit the recommendations contained in that outline.

I want to thank the Committee for the opportunity to be here today. It's crystal clear that many of the goals articulated by policy makers for our industry – including

dependable service, low fares, robust competition – are dependent on our ability to solve our capacity problem. We all have a vested interest in finding the right solutions, and doing so will require nothing less than a complete collaborative effort between all the parties involved. Rest assured, we are extremely focused on doing our part, and we look forward to moving forward with that effort.