



1776 K Street, N.W., 9th Floor, Washington, DC 20006
(202) 719-7420 (Telephone) (202) 719-7049 (Facsimile)
epfaberman@acaal.com
www.acaal.com

ACAA Submits List of Priority Items to the Obama Transition Team

WASHINGTON, December 2008 – The Air Carrier Association of America (ACAA) submitted a list of its priority aviation issue items to the Obama Transition Team. The ACAA urged them to address delays and congestion and said they need to ensure that that “Open Skies” exists in the United States. Low fare airlines must be provided with access to closed airports to promote and strengthen competition.

For further details on the list of priorities submitted to the Obama Transition Team please refer to the entire report listed below.



List of Priority Aviation Items for the Obama Administration

The airline industry is at a defining point in its history. During 2008, the industry has faced record delays/congestion and higher costs. The industry has also seen significant financial losses. As a result, various carriers have gone into bankruptcy, with several closing down. We have also seen large carriers expand their alliances and have witnessed the industry's largest airline merger – Delta with Northwest. At the same time, barriers to entry have increased to the extent that competition barely exists at major airports.

Unfortunately, little has been done by the Department of Transportation to address these issues. As a result, it is critical that the Obama Administration take immediate steps to address congestion/delays, promote a true competitive environment that allows leisure and business travelers in all markets to have competitive flight options, implement requirements that will further secure the system and to provide for the long term funding of the ATC system.

Changes must be made to the ATC system to lessen delays and congestion. These steps must ensure that carriers with a few flights are not hit with major delays while larger carriers can adjust schedules and operate on time. The Department should also place limits on actions taken by the nation's largest carriers to flood airports with flights, particularly flights with smaller aircraft.

While congestion is addressed, steps must also be taken to ensure that airline competition and deregulation do not become only memories of a system that used to exist. If steps are not taken to strengthen competition, we will forever lose those critical options. "Open Skies" must exist in the United States in addition to the 94 international "Open Skies" agreements. As a result of the significant increase in operations added by the dominant carriers, a number of the nation's largest airports are closed to competition. Unfortunately, despite the dream of deregulation, the Department has not taken the necessary steps to promote entry and competition. Airports that are slot controlled have less low fare service and competition than other airports in this country. Small carriers have less than 5% of operations at DCA, LGA, EWR and ORD. To promote competition and to increase markets receiving low fare options, the Department needs to take the following actions regarding slot controlled airports:

1. A percentage of the slots held by the larger carriers at any slot controlled airport need to be withdrawn and allocated to carriers at that airport with 30 or fewer slots at those airports as long as the carriers obtaining the slots are not affiliated with or owned in part by larger carriers. For example, since Delta Airlines (through its merger with Northwest) owns 48% of Midwest Airlines, Midwest Airlines would not get slots under this proposal. Moreover, carriers obtaining slots under this proposal would have to use aircraft with at least 110 seats.
2. All carriers that utilize slots to serve medium or large markets should pay identical landing fees as carriers operating in large markets. Today, a carrier that utilizes a 35 seat regional jet to operate between DCA-LGA pays a much smaller landing fee and has fewer passengers paying excise taxes and PFCs than if the flight was conducted by a carrier with a larger aircraft. Adjusting fees in this manner would optimize the public benefits of the slots and would more

fairly distribute the costs of running airports and the ATC system. Carriers serving small markets would pay existing landing fees.

In addition to adjusting slot allocations, to promote true competition, the Department must ensure that carriers competing with large carriers (particularly merged carriers) at airports dominated by those larger carriers have the gates and facilities to be able to compete. Moreover, behavior of large carriers when small carriers attempt to offer competitive choices needs to be closely monitored. In the past, carriers that control large numbers of operations at major airports, use their schedules, frequent flier programs, and control of facilities to drive smaller carriers out of markets. This constitutes an abuse of market power that undermines the principles of deregulation. The Department must make sure that facilities are available to other carriers at those airports and they must block anti-competitive behavior designed to eliminate competition.

While requirements have been put in place to increase security at airports and protect aircraft, additional steps must be taken to ensure that the focus is on those who impose the greatest threat without requiring undue oversight on those who are not a threat to the system.

Although airline costs have sky rocketed, there are proposals to further increase fees and taxes imposed on the industry. At a time that costs continue to grow, this is not the time to raise passenger facility charges, security fees, or excise taxes. The Administration should oppose additional increases in fees and taxes that drive up the costs of travel.

A healthy airline industry stimulates economic growth at communities throughout the country. By taking some immediate actions, the Obama Administration can take steps to strengthen the best airline system in the world and ensure that all can visit family, friends, tour the country and take important business trips. We look forward to working with those running the Department and the FAA to make this happen.

Edward P. Faberman

Executive Director

(202) 719-7420

epfaberman@acaal.com