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### Passenger Service Regulation: A Placebo for Air Travel

By James L. Gattuso<sup>1</sup>

Spurred by several recent travel horror stories, the quality of airline travel has become a hot topic on Capitol Hill this year. The furor began on New Year's weekend, when – after a sudden snowstorm -- hundreds of Northwest Airlines passengers were trapped in their planes for hours at Detroit Metropolitan Airport without food or functioning bathroom facilities. Complaints intensified when American Airlines pilots staged a massive “sick out” in February, stranding thousands of would-be travelers.

**Too good to be true.** With members looking for a quick way to make political hay out of this discontent, virtual fleets of “passenger bill of rights” bills have been introduced in Congress. To many distressed travelers, these bills may seem too good to be true. They are. The proposals would do little to improve air travel for Americans, and could actually end up making travel more difficult. Worst of all, the legislation would allow politicians to avoid the real reforms, and hard choices, required to address the legitimate complaints of airline passengers.

At least four bills to regulate airline service are now pending: S. 383, by senators John McCain (R-AZ) and Ron Wyden (D-OR), H.R. 700, by Rep. Bud Shuster (R-PA), H.R. 752 by Rep. Edolphus Towns (D-NY), and H.R. 780 by Rep. John Dingell (D-MI). The provisions vary, ranging from refunds for delayed flights, to bans on certain ticketing restrictions to more information on available tickets and the reasons for flight delays.

Instead of helping passengers, these new rules could instead mean higher prices for air travel. For instance, H.R. 700 requires a 200 percent refund for flights delayed more than two hours. That sounds fine, but the money for this guarantee will most likely come from higher ticket prices.

More subtly, S. 383's proposed right to “use your ticket as you see fit” could also increase fares. The goal is to break through the airlines' rather complex pricing system., under which, for instance, a trip with a Saturday night stay-over may cost less than half a weekday trip on the same route.

**Simple soundbite.** But, while certainly complex, the pricing system allows airlines to differentiate passengers by their willingness to pay, and adaptability of their schedules. The result is

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<sup>1</sup> James L. Gattuso is Vice President for Policy and Management at CEI.

that airlines can offer flexible and frequent service to business travelers and others who require it, while making low-cost discount fares available to others. "Simplifying" this system may make a great soundbite, but could jeopardize the low-cost fares that have allowed millions to fly more cheaply since deregulation.

Of course, not all the proposed new rules would be so costly. Some just seem to be a matter of good customer service. For instance, who could be against telling passengers the reason for a delay? But is this something Washington should require? Given that these are the same people who bring us the post office, it's unlikely they have that much experience on good customer service.

**Competitive swath.** There is a better way to improve customer service, and that's to increase competition. If you're delayed, bumped or simply treated rudely, the answer is to go to another airline, not a bureaucrat. Competition does exist now. In the past few years, for instance, Southwest Airlines has cut a competitive swath across the country, with their combination of low fares and well-regarded service. Most recently, their expansion into East Coast markets has set the major airlines scrambling to lower prices and increase service.<sup>2</sup>

More does need to be done. Federal rules that artificially limit the number of landing slots at major airports, for instance, should be eliminated. To their credit, Senator McCain and the Federal Aviation Administration have already urged steps in this direction.

**Government-owned infrastructure.** In addition, if policymakers are really serious about reducing passenger delays and inconvenience, they should take a closer look at the parts of the system they themselves control. Although the airline system is deregulated, the infrastructure on which the system depends, including air traffic control and airports, remains wholly government-owned and operated. And that part of the system is creaking most under the weight of increased passenger demand. As a blue-ribbon panel created by Congress itself concluded in 1997, without prompt action, the system will soon be in total gridlock.<sup>3</sup>

A number of steps are needed. The air traffic control system, for instance, should be removed from the FAA bureaucracy and re-founded as an independent, private, entity accountable to its customers. Similarly, airports could be privatized, as has been done already in Great Britain and various other countries, increasing their ability and incentive to meet passenger needs. At the same time, airport funding could be "de-federalized," eliminating federal subsidies and allowing airports more freedom to raise their own revenue. This would provide them with the flexibility to better meet customer needs.

The easy answers promised by the pending airline service bills won't solve the problems of today's air travelers. They are simply a placebo, allowing legislators to put off hard, but necessary, decisions on air traffic control and airport reform. America's airline passengers deserve better.

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<sup>2</sup>Laurence Zuckerman, "Discounted Fares Arriving in East, *The New York Times*, Feb. 3, 1999, p. A1.

<sup>3</sup>National Civil Aviation Review Commission, *Avoiding Aviation Gridlock & Reducing the Accident Rate: A Consensus for Change* (December 1997).