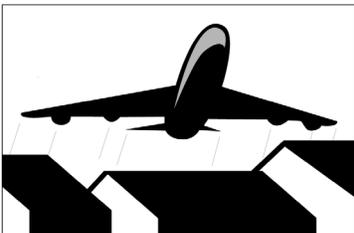


**Testimony of  
John C. Geils  
President of Bensenville, Illinois  
and  
Chairman of the Suburban O'Hare Commission**

**Before  
The Committee On The Judiciary  
House of Representatives  
United States Congress**

**Oversight Hearing On  
The State of Competition in the Airline Industry  
June 14, 2000**



**SUBURBAN O'HARE COMMISSION**

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Mr. Chairman, Ranking Member Conyers, members of the Judiciary Committee. Thank you for the opportunity to present the views of the Suburban O'Hare Commission to the Judiciary Committee on the problem of Fortress Hub monopoly in the airline industry.

The Suburban O'Hare Commission (SOC) is an intergovernmental consortium of 14 municipal and local governments surrounding O'Hare Airport. Our focus is the benefits and the problems created by growth at O'Hare Airport and our desire to balance that growth with the creation of a new South Suburban Regional Airport.

Let's get something on the table from the start. We are pro-business and pro-airports. Virtually all of the mayors and other officials in SOC operate small to large businesses and we welcome the economic benefits associated with air travel. Having stated our bias, let me also emphasize that we also recognize that when a business does wrong or violates the law, business — just like any other segment of our society — must be subject to the same vigorous law enforcement efforts applied to other wrongdoers in our society.

In that spirit, the Suburban O'Hare Commission decided to study what we call the "elephant in the corner." All of us have observed the ever growing concentration of market control by the major airlines in Fortress Hubs around the country. Further, anyone who has had to undertake short-term business travel out of these Fortress Hubs has experienced the pain and sticker shock of the exorbitant fares charged by the dominant airlines at these Fortress Hubs. And as laymen, we had a gut feeling that this Fortress Hub system likely violated our federal laws designed to prevent monopolization of an industry.

But few were asking the specific question: Does the Fortress Hub system — and the obvious decision by major airlines not to compete in each other's Fortress Hub markets — violate federal antitrust laws? Everybody had a gut feeling that the Fortress Hub system was wrong and probably illegal, but no one had conducted a detailed analysis of the problem. And in our case in Illinois we have had specific experience with the major airlines enforcing their Fortress Hub cartel by explicitly refusing to use a major new airport to bring new competition into our region.

So we commissioned our counsel to conduct a study of the Fortress Hub system nationally and its application to our airport situation in metropolitan Chicago. The results of that study are set forth in detail in a report the Suburban O'Hare Commission released last month: *If You Build It, We Won't Come: The Collective Refusal Of The Major Airlines To Compete In The Chicago Air Travel Market*. The report provides factual and legal context to what we already know: the Fortress Hub system is an illegal monopoly in violation of the federal antitrust laws.

I won't get into the details of the report. I ask that it be included in the record of this hearing. But I would like to summarize my perspective on the problems identified in the report:

1. The report clearly shows that the major airlines have organized a system in which one or two of their members are allowed by their fellow major airlines to dominate a specific geographic market.
2. The *quid pro quo* for one or two majors to dominate one Fortress Hub market is that the other majors are allowed to carve out their own dominance in another geographic Fortress Hub market.

3. The resultant lack of competition results in exorbitant monopoly-induced fares that cost air travelers nationally billions of dollars per year — hundreds of millions of dollars in overcharges to Chicago area travelers at O’Hare alone.
4. In Chicago, the dominant airlines, United and American, have attempted to solidify their Fortress Hub monopoly at O’Hare with a two-pronged campaign: a) they have announced plans to expand the physical facilities at O’Hare with a special terminal design to enhance the hub-and-spoke dominance of United and American, and b) they have waged a bitter campaign to defeat any attempts to build a South Suburban Regional Airport which would bring new competition into the region.
5. In our case (which reflects the national Fortress Hub situation) we have express and concrete evidence of major airline collusion in deciding not to compete with United and American in the metro Chicago market. United and the Air Transport Association worked with the CEOs of all the members of the ATA (which includes all the so-called “Big Seven” airlines) to collectively refuse to use new capacity in our region — *i.e.*, the new South Suburban Airport.
6. The consequences of this illegal collusive conduct extend far beyond the huge economic penalty inflicted on the business traveler. Because of the unwillingness to allow a new airport — and significant new competition — to enter the region and their parallel desire to expand their O’Hare monopoly, United and American are causing significant injuries to our communities around O’Hare with increased noise, increased air pollution, and increased safety concerns. And as Congressman Jackson has pointed out, the major airlines’ effort to defeat a new airport (and new competition) in south suburban Chicago has led to serious

economic and social discrimination between the northern part of the metropolitan area and the southern part of our region.

7. The airlines have been able to get away with these abuses only because the governmental and political establishment has either looked the other way or has affirmatively helped the airlines create, maintain, and expand their Fortress Hub monopoly. While there are likely parallels in other urban centers, the dominant airlines in Chicago have entered into a symbiotic relationship with the mayor of the City of Chicago to block new airport development and expand the Fortress Hub monopoly in Chicago. The mayor of the City of Chicago — and through him the Clinton-Gore Administration — has worked to expand the United/American monopoly at O’Hare while simultaneously blocking new airport development. By this comment, I do not seek to disparage Democrats. Congressman Jackson has been a leader in the fight to break the Fortress O’Hare monopoly and bring a new airport (and new competition) to our region. And there are Republicans in Illinois who must bear a good deal of responsibility for the problem and the failure to correct it.
8. This massive problem — a blatant, widespread violation of the nation’s antitrust laws costing the public billions of dollars yearly — will not be solved unless the Congress takes aggressive action on its own and demands aggressive action from the Administration.