

**TESTIMONY OF THE
AMERICAN SOCIETY OF TRAVEL AGENTS, INC.
BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON SMALL BUSINESS**

**“Grounded: How the Air Transportation Crisis is Hurting
Entrepreneurs and the Economy”**

Presented by:

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Good morning, Madam Chairwoman, Ranking Member Chabot, and distinguished Members of the Committee. My name is Paul Ruden, and I am Senior Vice President of Legal and Industry Affairs for the American Society of Travel Agents (ASTA). Thank you for conducting this timely hearing on an important topic of great interest to travel agents.

ASTA is the world's largest association of travel professionals. ASTA's 20,000-plus members include travel agents and the companies whose products they sell, such as tours, cruises, hotels, and car rentals. ASTA is the leading advocate for travel agents, the travel industry, and the traveling public. According to the Small Business Administration, 98% of all travel agencies are small businesses.

The subject matter of today's hearing is familiar to nearly every American. It seems that everyone has a story to tell about having been inconvenienced in some way by the air travel system, whether it be an unexpectedly long wait at the gate or being bumped from a flight at the last moment before a scheduled departure. Disruption in air service plays no favorites—tourists, business travelers, those flying for the first time, and frequent flyers are seriously affected.

These anecdotal reports are borne out by the facts. According to the Department of Transportation's Inspector General, the summer of 2007 was part of the worst year on record for flight disruptions. In 2007, over 1 out of every 4 flights—29 percent—were delayed or cancelled. Delays were up 15% over the previous summer; cancellations were up 28%. Adding to the frustration of many travelers is the form these delays take. The DOT's Bureau of Transportation Statistics reports that last summer, over 2 million passengers endured on-board tarmac delays of 1 to 5 hours or even longer—a 25%

increase over the summer of 2006. According to the DOT Inspector General, these disruptions directly affected 163 million passengers. All indications are that this year's summer travel season will be even worse.

While the acute frustration and inconvenience experienced by passengers during and immediately following a cancelled or postponed flight are the most immediately apparent effect of these disruptions, it is important to note that their effects are wide-ranging and have a detrimental effect far beyond the airline. In the case of vacation travel, these effects extend to tourist attractions; cruises; restaurants; hotels; rental cars; and other retail outlets. Less easily quantified, but no less unfortunate, are the pain of missed weddings, graduations, funerals, and other significant occasions. Family reunions or drives through state parks are replaced by days spent at the gate or on the tarmac. All the while, small business travel agents are scrambling to rebook their customers on alternate flights, to make new lodging arrangements, and to try to prevent further disruptions to existing travel plans.

The effects of disrupted business travel are similarly devastating. In addition to the effects of missed meetings, interviews, and conferences, one must take into account the ripple effects of missed court appearances, contract negotiations, or site visits. Again, these are difficult to quantify, but the mind reels at the scope and the scale of lost opportunities brought about by an air travel industry that has shown itself time and again to be unresponsive to consumer needs in delay, diversion, and cancellation situations.

Unsurprisingly, negative experiences with the passenger air system colors passengers' impressions of the industry and leads them to make alternate travel arrangements on future trips—or, worse, to avoid travel altogether. According to a study

released last month by the Travel Industry Association, 28% of air travelers avoided at least one trip over the past year due to problems in the air travel process. A staggering 41 million trips were avoided over the past 12 months—112,000 trips per day. Of these, 29 million were business trips, and 12 million were for leisure purposes.

These avoided trips represent a massive cost to the U.S. economy. Over the past year, they have resulted in a \$26.5 billion loss, including \$5.6 billion to hotels, \$3.1 billion to restaurants, and \$4.2 billion in uncollected federal, state, and local tax revenue. These losses, enormous as they are, represent only the economic impact of flight cancellations. When combined with the cost of air travel delays—estimated in a recent report by the Joint Economic Committee to be \$41 billion—the total cost of current disruptions in the air travel industry exceeds \$67 billion per year. By way of comparison, this total exceeds the annual Gross Domestic Product of the State of Hawaii.

Small business travel agencies, like other small businesses, are acutely affected by these disruptions. Trying to service aggrieved passengers requires a commitment of time that few agencies can easily redirect from other duties. Time that travel agents are forced to spend salvaging a trip that has been thrown off course by a delayed or cancelled flight is time that is not spent helping others plan trips, marketing the services of their agency, growing their business, or researching new destinations and industry practices.

Next year will mark the 10th anniversary of the airlines' 12-point customer service commitment. In this 1999 document, the airlines jointly pledged to take a series of steps to improve customer service by enhancing transparency and responsiveness. These commitments remain largely unfulfilled.

In their 1999 commitment, the airlines committed to notify customers of known delays, cancellations, and diversions. “Each airline,” they pledged, “will notify customers at the airport and on board an affected aircraft, in a timely manner, of the best available information regarding known delays, cancellations and diversions. In addition, each airline will establish and implement policies for accommodating passengers delayed overnight. A clear and concise statement of airlines' policies in these respects will also be made available to customers.”

In 1999, ASTA regarded this as one of the most important of the airline’s commitments, because it is in the terminal that passengers have the best, and perhaps only, chance to make alternative plans. We noted then, in 2007 testimony before the House Transportation and Infrastructure Aviation Subcommittee, and now, that this commitment is hedged – it does not include an unqualified obligation to truthfully explain the reasons for delays, yet we believe this is the main customer grievance – failure to tell the whole truth about what is going on so consumers can make informed decisions. And it does not require any airline to do anything substantive for any passenger even if the delay is chargeable to the airline. Each airline should be prepared to make necessary investments that will assure communication between the airline components responsible for rational decision-making and execution in crisis situations, as well as airports and other ancillary support services that could be called into play in an emergency.

The airlines also pledged to meet customers’ essential needs during long on-aircraft delays. This commitment, too, remains unfulfilled. To date, the airlines have not even come to an agreed-upon standard for what constitutes a long delay, and the “trigger”

for meeting passengers' essential needs varies widely. The standards range from one hour to three hours, with some carriers maintaining that they are not bound to permit passengers to deplane before four or even five hours have passed. The DOT Inspector General notes that it is "unlikely that passengers' definition of an extended period will vary depending upon which airline they are flying." We agree, and we endorse the Inspector General's view that a consistent policy across carriers would be helpful to passengers.

On May 16, 2008, Secretary of Transportation Mary E. Peters announced new aviation measures intended to address such longstanding issues as flight groundings, congestion, inadequate passenger protections, and limited consumer choice. ASTA applauds these measures. ASTA also welcomes the new DOT rule requiring that airlines provide complete on-time and tarmac delay data concerning flights that may depart from a gate more than once; flights that are cancelled after having left the gate; and flights that are diverted to another airport after departure.

While these are praiseworthy incremental steps, the unfortunate truth is that the short-term outlook for passenger aviation is not encouraging. Two recent examples illustrate the troubling direction of the industry. First, since May 1st, nearly every major carrier has made significant changes to its fees on checked baggage. Most have imposed new fees for checking a second bag, and some have begun charging for a first bag. These policies are in flux, and are likely to continue to change over the peak travel season. Many industry observers point to this practice as an example of so-called "revenue enhancements" or service "unbundling" that is likely to accelerate as airlines search for new ways of addressing rising fuel charges and other costs. From the perspective of

travel agents, such practices come with an added burden: that of monitoring and mastering a Byzantine set of new and overlapping policies and policy revisions so as to be able to apprise customers of what to expect when traveling. ASTA and the Interactive Travel Services Association (ITSA), the trade association for online travel companies and online distribution systems, recently sent a joint letter to the Department of Transportation to express their shared concern about the manner in which air carriers are disclosing (or failing to disclose) the terms of these new policies. A copy of this letter is attached to this testimony as an appendix.

Another troubling practice is that of creeping ticketing restrictions. United Airlines has announced that, beginning October 6, it will apply minimum-stay requirements on “almost all” domestic flights, with lower-cost fares to be subject to the most stringent restrictions. This move, too, is being closely watched by industry observers as possibly heralding an industry-wide policy shift. As these practices continue, so, too, will the already dire erosion in goodwill and trust between carriers and the traveling public. Viewed in light of what the FAA projects to be an increase in the number of U.S. passengers from the current 689 million to 1.1 billion per year in 2025, the convergence of these industry practices paints a frankly bleak picture.

It is clear that the system as it stands is not able to accommodate current passenger levels to a satisfactory degree of service, and is far from equipped to keep pace with these projected increases. Moreover, amid the current economic slowdown, a preventable loss to the economy of \$67 billion is nothing short of scandalous. ASTA has been at the forefront of calls to reform the passenger air system for years. We believe that the case for reform has never been more urgent or more plainly warranted than it is

now. We urge the distinguished Members of the Committee and your colleagues in the Congress to rise to this considerable challenge and to set in place reforms that will inject some measure of good sense and accountability to the current system before it worsens further.

Thank you for the opportunity to testify before the Committee, and I welcome any questions you may have.

Appendix

Joint ITSA / ASTA Letter to U.S. Department of Transportation:
DOT Guidance on Disclosure of Policies and Charges Associated with Checked Baggage

June 12, 2008