

**Comments of IAM General Vice President Robert Roach, Jr.
at the Department of Transportation's Future of U.S. Aviation Forum
November 12, 2009**

Thank you, Secretary LaHood and Administrator Babbitt, for the opportunity to be part of this panel to discuss the state of the airline industry. The Machinists Union is the largest airline union in North America, representing 100,000 flight attendants, mechanics, fleet service workers, passenger service agents, and support employees across the nation.

When thinking of the state our industry, abysmal is a word that immediately comes to mind. Dysfunctional is another one. The chairman of the Air Transport Association (ATA), United CEO Glenn Tilton, recently called it "an industry that epitomizes the definition of dilemma." But there is no recent event that has caused this turmoil; the industry has been this way for more than 30 years.

There have been 185 airline bankruptcies in the last 30 years, with 45 in this decade and 11 in 2008 alone. In contrast, before 1978 airline bankruptcies were extremely rare. We often hear about how the industry has been operating since 1978, but it is important to acknowledge that it is not an arbitrarily set benchmark. Our industry was deregulated in 1978, and that is where our troubles began. So we cannot examine the state of the industry today unless we review what brought us to this point.

The Machinists Union opposed airline deregulation and we predicted the obvious turmoil it has created. Proponents of deregulation, however, promised an industry that would flourish in an open marketplace. They were wrong.

In less than two years following deregulation, small airports saw their traffic fall by 8%, and 94 airports saw their seat capacity drop by a third or more. 1,925 city pairs lost through service. This was the immediate effect of deregulation. Things only got worse from there.

The GAO reports that airline pension terminations since deregulation have cost the taxpayers \$10 billion, and pension beneficiaries \$5 billion. Since 1979, airline employees' salaries have grown less than 5% when adjusted for inflation, in spite of increased productivity.

In 1998, airlines performed most of their heavy maintenance in-house, using their own US-based employees. Today, more than 70% of heavy maintenance is outsourced. This saves the airlines money but increases our nation's unemployment rate while decreasing safety, security and oversight of the maintenance operations. Still, between 2000 and 2008 the industry had combined losses of \$33 billion.

In recent years, we have seen a staggering decline in airline customer service and advertised base fares do not reveal the true cost of a trip. The industry's new a` la carte pricing structure forces passengers to pay an additional fee to speak to a live reservation agent, charges extra to sit in an exit row and imposes fees for checked baggage. It is no wonder consumer complaints to the Department of Transportation rose 50% between 2003 and 2005.

Today's airline industry does not adequately serve the travelling public, employees or shareholders. The industry's track record is clear – airlines cannot be both competitive and profitable in a completely unregulated economic environment.

The industry has always blamed other issues for their failures: the Gulf War; labor costs; fuel prices; employee pensions; 9/11; SARS - the list of excuses is endless. But the fact is this industry is simply unable to turn away from pricing its product below the cost of providing it, further perpetuating the chaotic spiral since deregulation.

Nobody can deny the industry is in a state of perpetual crisis. The industry has proposed and enacted many ineffective solutions over the years – mergers; consolidation; bankruptcy, abolishing pensions; slashing wages; subcontracting work; global alliances, increased foreign ownership – but none of the industry's initiatives have worked. We are worse off today than we were 30 years ago.

The chairman of the ATA, United's Glenn Tilton, recently acknowledges the industry has two options: re-regulation of the industry or further deregulation to allow foreign ownership.

The Machinists agrees with Mr. Tilton's first option, as the facts show that deregulation has been a miserable failure.

In order to resurrect the airline industry, the Machinists Union hopes this forum will be expanded and a presidential commission of all industry stakeholders created to explore a limited form of re-regulation of the industry. Our initiative for sane re-regulation is not a call for a return to the overly restrictive pre-regulation days of the Civil Aeronautics Board. However, regulation should include simplifying air fares, prohibit carriers from charging fares below their costs, prohibit anti-competitive mergers and acquisitions, encourage continued or expanded service to small and medium-sized communities and raise the bar for new airlines to enter the industry.

This forum is a welcome and encouraging first step to addressing the industry's problems, but we have taken these first steps before only to stumble and acquiesce to the status quo. There have been numerous Congressional hearings on the state of the airline industry, and President Clinton created the Commission to Ensure a Strong and Competitive Airline industry.

What happens when we leave here is more important than what we do today. The time for discussions is over. We urge the Obama administration and Congress to take the legislative action necessary for this country to one-again be proud of its airline industry.

Alfred Kahn, President Carter's Chairman of the Civil Aeronautics Board and widely regarded as the father of airline deregulation, has said, "There is no denying that the profit record of the industry since 1978 has been dismal, that deregulation bears substantial responsibility, and that the proponents of deregulation did not anticipate such

financial distress – either so intense or long-continued.” He said this about 10 years ago after deregulation. He was right then, and things have only gotten worse in the 20 years since.

I hope this discussion will lead to fixing the mistake that was made in 1978.

Thank you, and I look forward to any questions.