

Why the Hell Are Politicians Trying to Run Airlines?

U.S. Sen. Charles Schumer, the incoming Senate minority leader, is angry that United Airlines is planning to charge an [overhead bin fee](#) to passengers buying the cheapest economy seats.

Consider your customer service experience. Who provides better service: the Motor Vehicle Administration or L.L. Bean? The Post Office or FedEx? Your cable company or Netflix? Your local transit authority or Uber?

A good rule of thumb is this: The more competition the better your customer service experience is going to be. When you experience poor customer service, you usually consider taking your business elsewhere, *if* you have alternatives.

Competition forces firms to meet your needs in order to earn your trust. In his book [Wired to Care](#), Dev Patnaik, founder of growth strategy firm Jump Associates, examines profitable companies and argues that their success in today's economy "requires them to leave their own agendas behind, and actually care about how other people see the world."

Empathy, Patnaik argues, is a key to understanding what customers value. In a business relationship, when you satisfy the needs of others, you build trust and prosper.

Schumer's Beef

"The overhead bin is one of the last sacred conveniences of air travel," [Schumer pronounced](#), "and the fact that United

Airlines—and potentially others—plan to take that convenience away unless you pay up is really troubling.” He added, “No matter the ticket price, the overhead bin should be free.”

Why should overhead bin space be free? Some restaurants, but not most, bundle an entrée, drink, and desert in one price. Would it make sense to insist that restaurant owners include a free drink and desert no matter how an entrée is priced? Firms are continually searching for the optimal bundling of their products, features, and services in order to best satisfy the needs of their customers.

United Airlines is aiming the new bin fee at the most price sensitive shoppers; the price of regular economy seats will be unchanged. United charges an astonishing low price of \$153 for their cheapest economy seats for a nonstop flight from New York to Los Angeles. The most price sensitive consumers could stow a few items of clothing in a bag under their seats and perhaps visit a relative they haven't seen in many years. Or perhaps, an aspiring actress could afford to make multiple trips for auditions. For some, a “sacred convenience” will be happily surrendered for a low fair.

If United is wrong about the preferences of economy fair travelers, they will lose customers to their competitors; the market will discipline United if the bin fee is misguided.

The Real Issue

All this being said, United Airlines has a [reputation for poor customer service](#). Given its poor service, why don't travelers take their business elsewhere? Air travelers have alternatives, don't they? Yes, but...

United flies many transcontinental flights between New York

and Los Angeles, as well as flights from both coasts to Chicago. [U.S. law prohibits competition](#) from foreign airlines on domestic routes. For example, British Airlines flying from London to Los Angeles cannot stop in New York, discharge some passengers, and fill the empty seats with New York passengers bound for LA.

United faces competition from domestic airlines, but barriers to competition from foreign carriers are giving United an advantage; the market cannot fully discipline United for its poor customer service when [travelers have fewer alternatives](#).

Competition is the best “regulator.” If Sen. Schumer is concerned about air travelers, he should work to remove artificial barriers to competition. Airlines do not need him managing the bundling and pricing of air travel services.

Competitive markets, not politicians and government agencies, deliver superior customer service. Allow foreign airlines to fly domestic routes and watch service improve and prices fall.

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Barry Brownstein is professor emeritus of economics and leadership at the University of Baltimore. He is the author of [The Inner-Work of Leadership](#). He delivers leadership workshops to organizations and blogs at [BarryBrownstein.com](#), and [Giving up Control](#).

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