

Editorial

The fruits of deregulation

The crash near Pittsburgh of USAir Flight 427 on the evening of Sept. 8 raises obvious questions of passenger safety. One is reminded that this is the fifth such fatal crash of a USAir plane in as many years (and the second such this summer), but also of worrying instances of near mishaps reported by other airlines.

There is no clear thread which connects the five accidents; however, it is well known that USAir is in financial difficulties; reportedly the carrier is operating at a loss of hundreds of millions of dollars a year. Unfortunately, this is a situation common to all U.S. airlines. The insolvency rampant throughout the industry obviously puts pressure on the standards of maintenance of airplanes.

Up until 1978, the transportation industry as a whole was closely regulated. Bus, trucking, and airline routes were allocated to ensure that no communities would be without vital services. The floor under fares prevented the kind of price wars which are presently pushing airlines into bankruptcy. The ceilings on fares protected people in cities of 100,000 people or less, from the kind of price hikes which they have since faced.

Certainly the myth that deregulation would favor small carriers has been thoroughly exposed. Now eight top carriers account for 93% of the business. In 1978, there were three more top airlines, and the total 11 accounted for only 87% of air traffic. What we have seen was the typical kind of asset-stripping which has been rampant through the 1980s, the decade of merger fever.

Where before airlines were allocated routes so that they would have to service certain relatively unprofitable locations in return for being given others which were much sought after, today there is a free-for-all. This does give travelers between certain locations much more choice of carrier, but, of course, it has also meant that competition among these carriers has led to a lowering of profitability for the airlines which now must compete for passengers.

While it is true that ticket prices were brought down

in the case of air travel, service has definitely not improved—and we may now be seeing the bitter fruits of cost cutting in the latest massacre in the air. As early as 1982, the impact of the deregulation of the airlines was being felt in the aerospace industry, through the decline in new orders. Some of the effects of this were not felt so long as government orders for military aircraft were maintained at a sufficiently high level.

Still, the figures are revealing, because the tendency has been for the airline industry to extend the life of planes in service. In 1978, domestic lines reaped operating profits of over \$1 billion, but by 1979 operating profits had fallen to \$200 million. By 1981, the picture was reversed and the industry was reporting losses in the range of a half-billion dollars.

During this same period, the situation for rails also deteriorated radically—and ironically, this improved the situation for the airlines, which picked up some of the slack as rail traffic lessened.

In 1975, during the Ford administration, a Senate subcommittee reviewed “price fixing” by the Civil Aeronautics Board, and concluded that fares were between 40 and 100% higher than they would have been were there no such regulations. Even so, and despite the apparently impressive high operating profits, only three times over the preceding 26 years had the industry earned what was then considered to be “allowable return on investment.”

For a while, it appeared that the system was continuing to function, despite the profit squeeze. This came from economies, which included lower wages for pilots, flight attendants, and maintenance people; reduction of the amount and quality of food served to passengers; and a sharp curtailment of seat space. We must take the recent accidents on USAir flights as a possible warning that a threshold has now been reached, in which safety also is threatened.

Free market ideology is a fraud and a delusion; it is especially tragic if it turns out that the 132 people who were killed in the crash were martyrs to that evil belief structure.