



## Questions and answers on deregulation

### Q Just what will these deregulation bills do?

A The bills propose to bring more competition into the aviation industry. The bills' sponsors say this would result in lower air fares and better service. The Civil Aeronautics Board would be maintained. It would be required to encourage the development of new airlines and additional competition in established markets, whether or not those markets required additional service. The Board's authority to set reasonable fare structures would be almost removed, since carriers would be allowed to set fares which did not cover all costs or raise fares without justification.

### Q Would deregulation really bring lower air fares?

A It might, for a short time, on some major routes. This could happen if new carriers started a "rate war" in the potentially most profitable markets. However, deregulation will not change the cost of providing air transportation. The price of fuel will not go down; airports won't lower their landing fees; and suppliers of other goods and services will not reduce their charges. These economic realities will eventually catch up with the rate warriors.

The price of air transportation has to cover the cost of producing it. In a rate war the not-so-financially-strong airlines would either be driven out of the market or out of business. The surviving airlines could and probably would then set fares at whatever the traffic would bear. Fare levels are directly related to the load factors attainable over a given route system. And the ability to lower fares depends on the relationship between actual and breakeven load factors. With more competition and lower load factors it seems fare would have to be raised to cover excess capacity. Only a higher load factor justifies a fare reduction.

### Q As a result of deregulation, would lots of markets be abandoned? And would commuter services fill these gaps?

A Abandonment is a relative term. It is simply not possible to determine the extent to which there would be an absolute elimination of air service. Piedmont and other carriers would certainly be inclined to shift emphasis to the most profitable markets. Because of this, smaller cities would most likely be served more and more by commuter operators. The question is, can commuters provide the kind of air service these cities need and want? It appears that, under these deregulation proposals, many small cities could lose their air transportation unless tax payers subsidized it. Currently, service by the airlines to smaller cities is based on the same public service philosophy under which telephones and other utilities are provided. The utility companies use the profits from their entire networks to offer the best possible service at affordable rates to all customers, no matter where they are. The airlines are like these

public utilities and follow this same policy. Without the security of the system of public convenience and necessity (or licenses), and faced with having to meet intensified competition on their most profitable routes most airlines would be compelled to reduce services to many smaller communities.

### Q What would deregulation do to efficiency in our industry?

A It wouldn't help at all! The U.S. airlines have been very innovative with regard to efficient operations, new services and promotional tariffs to a degree unequalled in other industries. The sophistication of airline equipment and the enormous amounts of capital needed for aircraft fleets have required that carriers be constantly aware of modern technology. If total deregulation comes, more airlines and airplanes at already crowded major airports would cause serious problems rather than greater efficiency. It would also be wasteful of fuel supplies. The carefully developed national network of airline routes could be disrupted. Customers and communities alike would be playing a guessing game as to service and rates.

### Q The airlines have traditionally worked together to provide good service. What would deregulation do to this concept?

A For industry teamwork, deregulation would be a big step backward. It would probably wipe out years of progress in developing systematic interline procedures. These procedures are directly involved with customer convenience. We all know that today, one call to one airline res center gives access to schedules, fares and space on most all carriers. One ticket can cover a trip on several airlines and check baggage is automatically transferred. Cargo shippers benefit from the same inter-carrier cooperation. Deregulation would cloud the entire working structure of interline relationships by requiring that thousands of interline agreements be reviewed and revised. Indeed, interline agreements might not be possible at all. The proposed legislation would remove the anti-trust immunities which have been provided so that the public transportation system could function as an integrated national network.

### Q How would passengers be affected by deregulation?

A With rate wars on major routes resulting in tickets being offered at less than cost, airlines would certainly be unable to afford most inflight and ground service features. Schedules would be adjusted to get more equipment utilization at marginal times, frequency of flights would diminish and seat configuration would be high density.

### Q How would deregulation affect postal service and airfreight users?

A The pending bills would allow mail and freight to be carried on charters as well as scheduled flights, thus seeming to benefit

these users. However, these added flights might prove temporary and probably would not be serving the variety of cities currently served by the scheduled airlines. About eight out of ten first class intercity letters go by air now. This is possible because the airlines serve so many points at such reasonable costs. Contract, subsidized mail flights would probably be required for many small cities. Sound like a backward move? It would be, for contract mail service was how the U.S. airlines started.

### Q How would deregulation affect career airline personnel?

A The airline customer today enjoys the benefits and security of years of training and experience offered by this country's 300,000 airline professionals. New carriers coming into the industry would have relatively inexperienced personnel starting at the bottom of the wage scale. This would be the one area of operating costs which would make reducing fares possible. As a result of the rate war that might rage in an atmosphere of unrestrained competition, fewer airlines would survive. Thus there would be fewer employees in the industry.

### Q Are the airlines who are against deregulation also against free enterprise?

A Absolutely not! The airlines, like the previously mentioned utilities, provide vital public services. It is essential to the users of all the utility-like systems that their reliability of operation and fairness of rates not be left to chance. The airlines' obligation to provide adequate service should continue to be a statutory mandate. These factors are assured for the nation's air transportation network by the present regulatory structure. There is certainly room for improvement in the rate-setting and rule-making procedures. Piedmont feels the changes can best be made within the framework of the present law. It has worked exceptionally well, as evidenced by our having the finest air transportation system in the world.

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