



Re-Regulation in the Air

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The future of the airline industry may be in question, but should the government step in to bail carriers out?

Robert Crandall, the former chairman and CEO of [American Airlines](#), thinks so.

Speaking to airline industry executives and others at the Wings Club in New York last month, Crandall became the most prominent voice in the 30 years since deregulation to call for the government to get back into regulating airlines.

"In my view it is time to acknowledge that airlines look like, and are like, many of the businesses we refer to as utilities," he said. "Market forces alone cannot and will not produce a satisfactory airline industry."

The U.S. airline industry has been staggering this year under soaring jet fuel prices that have led to the shutdown of several smaller carriers and pushed others, including freighter operator [Gemini Air Cargo](#), into Chapter 11 bankruptcy protection. One investment analyst said U.S. carriers are on track to lose \$6.5 billion this year.

The passenger airline industry has been deregulated since 1978 and the air cargo industry since 1977. Deregulation has spawned hundreds of airlines, and industry observers say it was critical to the growth of the air express industry pioneered by [Federal Express](#).

But with losses mounting, many legislators are concerned about losing air service at smaller communities as airlines slash routes.

Rep. Steve Cohen, D-Tenn., and House Transportation and Infrastructure Committee Chairman James L. Oberstar, D-Minn., have suggested re-regulating the airline industry is an option. "The leash is a very short one," Oberstar said at a hearing this year. "Public patience is running out."

Air cargo operators say companies are coping with a very tough business environment this year.

"Now whether re-regulation is the answer remains to be seen," said Brandon Fried, of the **Airforwarders Association**. "If the free market can't solve a lot of the problems, perhaps the government might have to step in."

To maintain service, he said, "A few small communities might need to step up to the plate to subsidize the carriers to make up for revenue shortfalls and keep service intact.

With enormous gains under a free market, cargo airlines are wary of economic intervention.

"We understand the problems in the passenger sector, but we are a unique sector," said Stephen Alterman, president of the Cargo Airline Association. "There may be tweaks the government has to do, but regulation is not the answer for our segment. The last thing we want is the government telling us how to operate our business."

The idea was just one of several reforms that Crandall said was needed for the airline industry.

"Our airlines, once world leaders," he said, "are now laggards in every category."