

AIRLINE DEREGULATIONPublished
11-11-83

The Carter administration, considered left wing, trendy and interventionist by U.S. and Australian conservatives alike, deregulated the U.S. airways. In this area at least they showed more faith in free enterprise than most Republicans. They also did more for consumers than a hundred Ralph Naders.

For nine years I travelled back and forth to parliament in Canberra. A first class air ticket from Perth to Canberra and back to Perth costs \$ 1018.80. During that time, reckoned at present prices, the taxpayer spent more than a quarter of a million dollars flying me to work and back. An expensive opportunity to study first class travellers.

Australian air travel is needlessly inconvenient. While international carriers travel between Perth and Sydney or Melbourne with vacant seats, domestic travellers leaving Perth are given a choice of only two departure times - around midday, when at least 6 flights leave, or midnight, when 4 flights depart. Some passengers book seats to Auckland or Bali on the Internationals and 'get lost' in Sydney or Perth en route, but that would never have done for a politician if only because he would then have had to pay for his own ticket.

The First Class cabins are filled with crews in transit, people who have had their fares paid by our government, a foreign government or their employer, and Trade Union officials. The real people, paying their own way, travel Economy Class. The people who make the rules don't pay and they avoid the 'midnight horror'. Most of them live and work in Melbourne, Sydney and Canberra..

Air travel in the United States, though never quite as expensive as Australia, displayed a similar disregard for consumers. Carter, true to his 1976 election promises to protect the rights of consumers, broke the power of the producers' club - (membership is restricted to airline officials and union officials). Instead of smothering the industry with even more regulations, consumers' councils and the bureaucracy of collective consumerism, he made each consumer sovereign. He repealed laws which protected producers from the competition of other producers who were more willing or better able to meet consumers' wishes.

A fierce debate ensued in which consumers played very little part. They just bought the new discount tickets and travelled. Some had never travelled before and in their ignorance of airport procedure caused much confusion and irritation to the first class travellers.

The debate was mainly waged by two groups of vested interests, the older, bigger, unionised and less competitive companies who mostly flew trunk routes, versus the upstarts who saw opportunities to expand by offering cheaper fares and new services. Both found champions in Congress.

In the United States the heat has now gone out of the debate if only because the dire consequences of deregulation, so confidently predicted by the club have not eventuated. The aircraft have not fallen out of the sky. One major company, Braniff, did go broke but its routes continue to be flown and Braniff is now seen to have suffered only the fate appropriate to bad management. The industry has weathered a serious recession and a hike in fuel prices.

In Europe and Australia, where airlines are still highly regulated, American experience has fuelled the debate between the vested interests. Companies like East-West would like to get a share of the Ansett/TAA/union monopoly of the best routes. It is significant that East-West's pilots did not join the recent strike.

Elizabeth E. Bailey, Vice Chairman of the U.S. Civil Aeronautics Board is that rare creature, a commissar who actually reduced her own authority. She was recently in Australia telling us what actually happened when the CAB stepped back from U.S. airlines. As one who was responsible for overseeing deregulation she is not a disinterested witness, but then neither is anyone in the industry. Her knowledge of the subject is second to none, and she doesn't sound as though she has been seduced by the First Class Club.

Regulators stress irrational cut throat competition which will, in their view, force airlines which supply a 'good' service into receivership. They say that then passengers will be worse off because the Johnny-Come-Latelys will provide inferior service.- Uneconomic routes will not be flown.

This quote from Elizabeth Bailey comes five years after the passage of the U.S. deregulation act: " Despite the adversities, virtually all U.S. airline executives support deregulation today, and for good reason. Airline management believes

that the operating flexibility afforded them by deregulation provides them with the tools to fashion the best of times through improving the efficiency of their firms.....There is a closer matching of fares and quality of service with market demand... There has been entry of new low cost airlines.... there has been a recognition of the need to restructure work rules and pay scales to remain competitive." Though high cost airlines have found the going tough, the industry as a whole has not suffered. The more efficient companies have increased their markets substantially at the expense of the inefficient and by winning new customers.

USAir flew Buffalo to Newark for \$97.00. People Express offered \$35.00. USAir matched them. Traffic rose from 258 per month to 745 per month and both companies seem to be making money since they continue to fly. An Australian Economy fare for the same distance is about \$90.00.

Elizabeth Bailey says:" Another significant benefit from the low cost airlines is their effect in making remote communities more accessible. In many cases their fares are so low that in communities that are rather remote such as Burlington Vt. citizens find themselves easily able to afford a weekend in New York...."

Why do the Country Party support our Two Airline Monopoly ? (Not duopoly - they act as one.)

(Deregulation has enabled a wholesale reorganisation of routes around 'hubs' in a way that no-one, not even the deregulators foresaw. "...as commuter carriers have replaced local service airlines (there) has been sharp reductions in the level of subsidy."

The airlines are no worse off. The consumer and the taxpayer sre better off. This is real consumerism. Similar benefits could be ours if only the real people made the rules.