Not-So-Friendly Skies

Table of Contents

Introduction

Why Air Travel In America Has Become Such A Hassle

Tough To Be A City Left Out Of the Large Hubs

Colorado Spring Airport Faces Adversity, Gets Entrepreneurial

Deregulation Didn’t Fail, It Was Never Really Tried

Airline Industry Faces Immense Problems, But There Are Solutions

About The Author
Washington has been described as a “city of illusions” and among the most persistent of those illusions is the idea that the commercial air travel industry was deregulated in 1978 by President Jimmy Carter and then-Civil Aeronautics Board Chairman Alfred Kahn.

Deregulation was Kahn’s goal and in some ways he achieved that goal. But the fundamental premise of deregulation – the minimizing of federal interference in the normal functions of a market – was never realized except incidentally.

As Neil McCabe writes in his five-part series on America’s “Not-So-Friendly Skies,” Kahn mostly just rearranged the deck chairs on the S.S. Washington Bureaucracy:

“Kahn's reforms did open up the industry to some degree, but the federal government retained all of the key regulatory pressure points to exercise whenever ambitious politicians and bureaucrats opted to do so. But that fact has never prevented pundits and TV talking heads from pointing to deregulation as the cause of all the industry's problems since 1978.”

And while the newspaper reporters and broadcast correspondents talked about “deregulation,” members of the Washington regulatory network continued doing pretty much what they’d always done, including “most notably the Federal Aviation Administration for regulating day-to-day operations, the National Labor Relations Board for labor-management relations, and the Anti-Trust Division of the Department of Justice and Securities and Exchange Commission for mergers and acquisitions.

The tumultuous decades that followed have seen an epic series of bankruptcies, labor distress and corporate mergers as the airline industry has sought to adjust to Washington’s changing regulatory dictates, as well as a steady succession of other challenges following the Sept. 11, 2001 terrorist attacks that involved four hijacked airliners and killed nearly 3,000 people in New York, Pennsylvania and the nation’s capital.

As McCabe details, the industry has increasingly concentrated its operations in 29 “large-hub” airports, each of which serves at least one percent of all commercial flights.

That concentration is leaving behind 109 medium and small hub airports serving the nation’s other metropolitan areas. The result is a growing economic problem for cities like Oklahoma City, Colorado Springs and Portland.

The medium and small hubs get fewer flights, offer less competitive rates and make do with a reduced menu of connecting services. That introduces a sort of downward spiral in which fewer customers are attracted to these facilities, which in turn makes it harder to attract new businesses that would bolster the employment and economic growth the airlines require to justify adding flights.

Centralization is characteristic of regulated industries, so the growing problems associated with large hubs growing bigger as the medium and small hubs shrink shouldn’t come as a surprise. What is surprising perhaps is the dearth
of discussion the problem receives in the public policy community, many members of which are among the nation’s most frequent fliers.

But centralization is only one part of a much wider discussion that is needed about the nature and structure of the American commercial airline industry. Neil McCabe’s “Not So-Friendly Skies” is a significant step in the effort to spark just such a national discussion.

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