

# Save Bankrupt Airlines, But Re-Regulate Them

by Anita Gallagher

The Federal government will have to intervene into the ongoing, cascading bankruptcies of major U.S. airlines, to ensure that the air-transportation network of the United States is preserved, the labor force is kept intact, and the industry's capital is not sold for a song to the asset-stripping predators of airline deregulation.

The major carriers, with the possible exception of Southwest, will soon "hit the wall" of bankruptcy:

- seventh-ranked U.S. Airways filed bankruptcy on Aug. 11;
- second-ranked United Airlines has said it will declare bankruptcy by Sept. 12, without huge union and vendor "give-backs" and then a \$1.8 billion Federal loan guarantee;
- eighth-ranked America West avoided bankruptcy in 2002 only through a Federal loan guarantee;
- American Airlines, the largest in the world, announced huge cuts in capacity and workforce on Aug. 12 to avoid threatening bankruptcy.

This is the third and final phase of a "meltdown" of the airline industry which began early in 2001, accelerated after Sept. 11, and entered its terminal phase in August (**Table 1**);

this meltdown has cost 200,000 airline and aviation jobs in a year; has hit the aerospace industry hard; and will soon bankrupt municipal airports.

## Use the General Welfare Clause

Addressing this emergency in transportation, 2004 Democratic Presidential pre-candidate Lyndon LaRouche said, "[W]e are losing our rail system, the last vestige of it. We are also in the process of crippling, and virtually destroying, our air-traffic system." LaRouche continued, in the same Aug. 24 webcast interview, "If this were to occur, . . . then the United States ceases to be an integrated nation. . . . It is no longer a unified, efficient national economy."

Using the legal authority of the "general welfare" clause of the Constitution, the Executive can turn around predatory bankruptcy reorganizations such as the unfolding Chapter 11 of U.S. Airways: a 38% cut in capacity; aircraft fleet reduced by 120 jets (30%); 13,000-plus employees laid off; union wage scales thrown out by bankruptcy courts; flights to mid-sized cities cancelled or reduced; and predator Texas Pacific "offering" to take 38% ownership for the pittance of \$200 million. The White House itself is worsening this: It must immediately scrap its wrong-headed policy of making Federal loan guarantees depend on such destructive measures.

Instead, after the now inevitable declarations of bankruptcy of major air carriers, the Federal government should freeze the debt, and provide new credit through an agency like Franklin Roosevelt's Reconstruction Finance Corporation, to protect the airlines' assets from predators, preserve the route structure, keep the workforce intact, and maintain union-level wage and pension obligations. Armed with new Federal credit

TABLE 1

## Overview of Eight Largest U.S. Airlines, and Industry Employment

Carrier	Current No. Employees	Workforce Reductions 9/01-8/02	Deferred Aircraft Deliveries '02 '03	Retired Jets '01 '02	Current No. Fleet Aircraft	Average Age of Fleet (Yrs.)	Capacity Reduction (%)	No. Passengers 2001 (Millions)	Revenue Passenger Miles 2001 (Billions)
American	122,000	27,000	35 67	83	833	10.8	9	80.7	108.3
United	86,000	20,000	43	99	543	8	13	75	117
Delta	60,000	13,000	16 23	50	814	9.1	15	104.9	102
Northwest	45,700	10,000	6	39	442	12	20	54.1	73.1
Continental	60,000	6,000	67	49 11	352	5.2	17	44.2	61
Southwest	35,000	—	Plans +10	3 6	368	8	—	64	44.5
U.S. Airways	40,000	11,400	33	161	280	9.1	38	56	46
America West	13,900	—	17	11	145	10	—	20	19
Total Airline Industry Employment 7/01-7/02*	1,167,000	120,000							

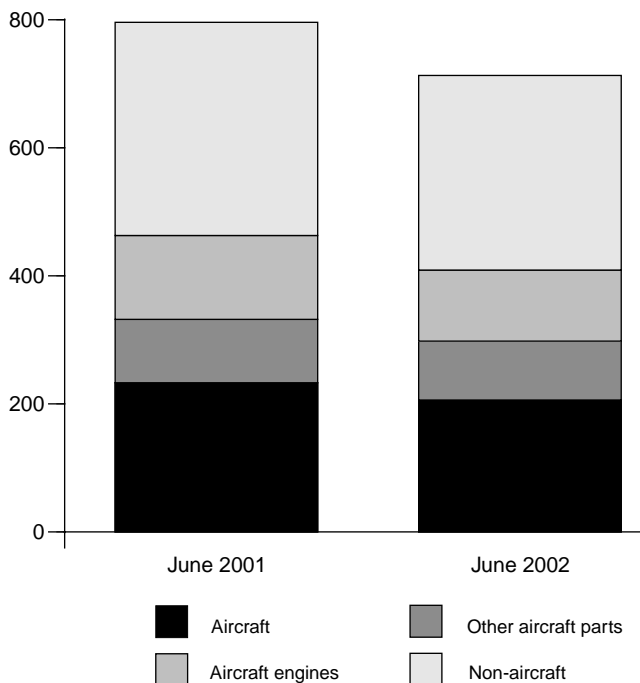
\*Source: Bureau of Labor Statistics.

Sources: Airline corporate data; 2001 Annual Reports.

FIGURE 1

## Total Employment in the U.S. Aerospace Industry Dropped 83,000 in One Year

(Thousands)



Source: Aerospace Industries Association.

to preserve the air infrastructure essential to national economic security, the reorganized airlines would emerge into a re-regulated air system serving all cities.

### Aerospace Can Produce 'Flying Trains'

The aerospace industry, where 58% of the workforce is employed in the aircraft division, is reeling from the collapse in the airline industry. Boeing, the only producer of commercial aircraft left in the United States, saw its production decline from 620 aircraft in 1999, to an estimated 375 in 2002, and projects it will produce only 275-300 jets in 2003.

Nearly 700 jets were "parked" in dry-climate Maintenance Repair Organizations between September 2001 and July 2002, according to *Air and Space* magazine's September issue. Some are fresh from the factory, as airlines continue to defer delivery of hundreds of jets ordered.

Aerospace accounts for 4.6% of the manufacturing jobs of the United States, and is the largest exporter in America, by value. Just in the last year, 83,000 jobs have been lost (Figure 1); 38,000 of those in production.

Some of Boeing's capacity could be converted to produce magnetically levitated trains (maglev) capable of 300 mph speeds, in the same manner the auto industry and its skilled

workforce were rapidly converted to airplane production in the 1940s. The United States needs high-speed and maglev rails, which are more efficient than air travel for distances shorter than 300 miles. Part of aerospace's capacity, and aerospace and airline employees, could shift to production of "trains that fly."

### Re-Regulation vs. Deregulation

After deregulation was enacted in 1978, with the claim that it would cheapen fares, and end having high-traffic route passengers "subsidize" low-traffic route passengers, competition from upstart budget airlines led the large airlines to establish "hubs," where outlying cities would connect with planes of the same carrier to go to many other destinations. The "trunk" carriers were able to use fewer planes to fly shorter routes with fuller planes, but passengers were stuck with ubiquitous plane changes and growing delays. To keep passenger loyalty, large carriers established "super-saver" rates to fill planes with leisure passengers, and "frequent flyer" (free) miles to any destination.

The result of these gimmicks, imposed in the war of all-against-all for the high-traffic routes, has been chaotic proliferation of flights, and intense competition for "slots" jammed into peak arrival and departure times at the hubs (see map, p. 30). While passenger enplanements increased from 175 million in 1975 to 622 million in 2001, passenger boardings from hubs that carry 1% or more of commercial traffic became highly concentrated:

- In 1991, major hubs enplaned 33% of all passengers;
- In 1999, major hubs enplaned 75% of all passengers.
- In 1999, just five major hubs—Atlanta, Chicago, Dallas/Ft. Worth, Los Angeles, and San Francisco—enplaned 25% of all airline passengers in the United States.

At these congested hubs, the density of flights further intensifies at four peak periods a day—an added danger in an already-strained system. Thus, in 2000, one in four major airline flights was late, or diverted.

Airlines should shift back toward point-to-point flights, with stops for medium routes. Air could become a type of development corridor immediately (while rail is rebuilt), relieving the isolation of cities in the Western states, now only accessible by car. These, and most Midwest cities, need more, not less, air service. These routes should be subsidized by the Federal government, in the interest of national economic security and the general welfare. Air is the appropriate travel mode for coast-to-coast or long-distance travel.

The Northeast Corridor is a useful study of air and rail symbiosis. As little investment as there has been in Amtrak, it nonetheless carries three times more passengers between Boston and Washington than do airlines, showing the rational pattern of travel which prevails when modern railroads are available.

This high-speed Northeast Corridor could be extended to Florida, relieving Atlanta's congested airport, giving all the



A feature story in *Air & Space* magazine, September 2002, shows airplanes warehoused in a storage yard in Mojave, California. As of August, shrinking airlines may have “laid off” nearly 1,000 jets, as well as 200,000 employees.

cities in the South multiple connections to the entire East Coast. A Northeast Corridor Authority could manage both the air and rail transportation, regulating flight and train routes and prices, to maintain a full service schedule and utilization of facilities, as well as integrating local travel connections from train stations and airports. Family and group fares can allow planes and trains to offer the same economy in transporting four passengers for the cost of one, that a car does.

## Safety of the System

The United States is facing a shortage of trained, qualified air-traffic controllers, supervisors, and managers in the near future, that requires accelerated hiring. None is currently planned. Furthermore, President Bush raised the question of privatization of air-traffic control on June 6, by removing language from a Clinton-era executive order, which terms air-traffic control “an inherently governmental” function.

The air-traffic control profession is recognized as one of the most high-stakes, exacting jobs a human being can hold, particularly under present conditions. It takes two to four years to train a controller, and far longer for him or her to acquire the skill and experience to run one of the busiest facilities. In the Federal Aviation Administration’s training academy, up to 50% of students fail to graduate.

In 1981, President Ronald Reagan fired 75% of the air-traffic controllers for striking. The replacement workforce hired *en masse* at that time, is now approaching the mandatory retirement age of 56 in a higher-than-normal concentration. In 2001, the FAA employed 15,600 controller specialists, who handle traffic at airports and the nation’s 20 “en route centers,” and 4,621 controllers who are supervisors and managers. Some 2,500 (12%) of the current controllers are now eligible to retire, and 5,000 (25%) will become eligible by 2007.

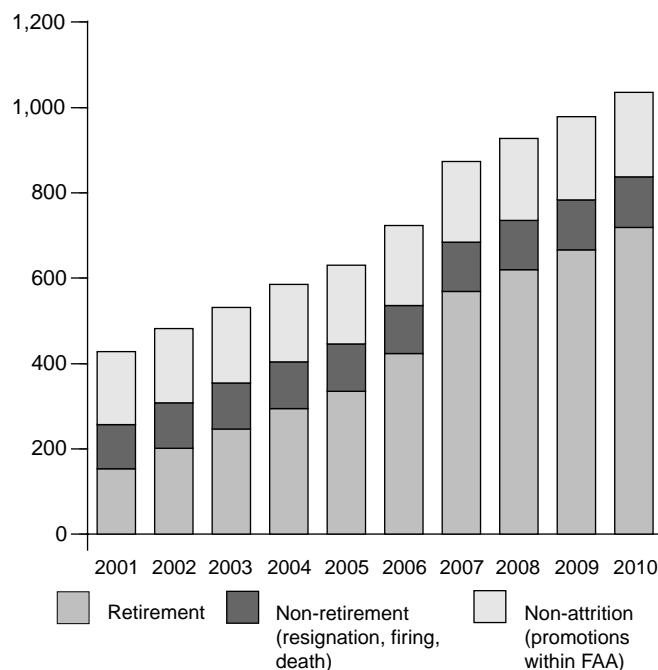
In June 2002, the Government Accounting Office released

a report, “Air-Traffic Control: FAA Needs to Better Prepare for Impending Wave of Controller Attrition.” Based on age, past trends, and survey responses, **Figure 2** shows estimated losses of air-traffic controllers in the next eight years (excluding supervisors and managers). The GAO also found that retirement potential among frontline supervisors and controllers at some of FAA’s busiest facilities doubles, from 6% to 12%, in 2007, and that 28% of the supervisors are already eligible to retire.

Thus, the Federal government must immediately recruit and train qualified controllers to prepare for the retirements ahead, and create the budget for it.

There must be no attempt at privatization of any regulatory function, such as air-traffic control. The role of government is to provide for the general welfare through regulation, not turn such regulation over private interests which may view safety measures as costs to be cut.

FIGURE 2  
**Air Traffic Controller Estimated Losses**



Note: this graph represents air traffic controller “specialists,” 75% of all air traffic controllers.

Source: “FAA Needs To Better Prepare for Impending Wave of Controller Attrition,” June 2002, U.S. General Accounting Office.