

Does Airline Regulation Benefit the Consumer?

by MICHAEL E. LEVINE

The answer is no. Then why not go back to free competition?

SINCE this is Caltech, I suppose I should start with a few numbers. So let me note some fares established by the United States Civil Aeronautics Board, which has regulatory jurisdiction over the economic aspects of most aviation in this country. These fares are in contrast to those offered in states of sufficient size to have large cities far enough apart to support air service and to have rather independent policies toward the regulation of air transportation.

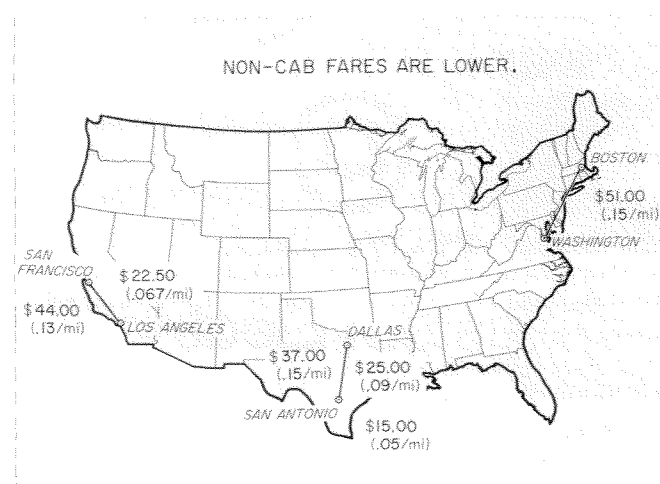
In California, for example, the fare between Los Angeles and San Francisco in January was \$22.50. The fare established by the Civil Aeronautics Board for the same flight—and paid by anyone who is unfortunate enough not to live in California and to buy his ticket for the journey outside the state—is \$44.00. In Texas, if you are not present in that sovereign jurisdiction, you pay \$37.00 for a flight from Dallas to San Antonio. If you fly the local carrier, Southwest Airlines—in its

modern jet equipment on the same route that the CAB-certificated carriers operate over—you pay \$25 during the working part of the business day and \$15 nights and weekends. To show the lamentable condition of life in the Northeast, the Boston-Washington fare, for a distance that is only slightly farther than from L.A. to San Francisco, is \$51.

This is a rather interesting phenomenon. All of us learned in high school that we used to have rapacious businessmen who, left to themselves, charged high fares and robbed consumers. But then everything got better because of regulation. Regulation was designed to make sure businessmen curbed their greed for the benefit of the public. Well, it doesn't seem to have quite worked out that way in the airline business.

Following the lead of the truckers and the railroads before them, the airlines decided they needed a regulatory agency of their very own. They lobbied assiduously for a couple of years and eventually got one. Regulation was set up in 1938, using legislation drafted by a lawyer for the Air Transport Association. The first thing this regulatory agency did, of course, was to make sure no one else got into the business. The second thing it did was to carry out its mandate to make sure prices remained up rather than being competed down either by greedy new people who wanted to enter the industry or by a possible outbreak of competition among the lines who were already members of the club.

This legislation has had major impact over the years. The estimates of its cost to the public range from a half billion dollars per year to three billion dollars per year. Let's be moderately conservative and call it a billion and a half. This is an awful lot to pay for a regulatory



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the CAB, and if regulation benefits *anyone*, we should not be surprised to find his constituents on the list. United finds this small investment in political peace to be well worth its while.

The required-service argument can reach preposterous proportions. Some years ago American Airlines claimed that they were losing money on all of their northeast corridor routes—Boston to New York, New York to Washington, Boston to Washington, and the like—and that they needed increased long-haul profits to make up for their losses. But they were operating many flights per day at the time, and they were making no effort to cut back service. They were not even petitioning the CAB to delete those cities or that service from their system. I would conclude from this behavior that they thought they were making an adequate profit on those routes. They could certainly have cut back service, and they could have requested to be taken out. I have no doubt that Allegheny would have been very happy to serve the routes, having struggled for a long time to get such plums as Baltimore to Boston.

The fact is that the carriers do not now use the profits on their long-haul routes to support their short-haul service, and that the system, such as it is, is not held together by the glue of regulation. Trunk airlines continue serving the cities they serve because by and large it is more profitable to serve them than not to serve them. This is precisely the regime I suggest should exist in deregulation; the only difference is that they would have a wider choice of routes and they might be different airlines—airlines that could operate at lower cost and offer lower fares.

In fact, one odd result of regulation is that the airlines are not making very much money even under the present system because they are free to add as many flights to profitable routes as they wish to, and it turns out that passengers who like frequent service are well worth competing for. The way you

compete for them is by flying the planes with 30 to 40 percent of the seats full—at which point you cover costs but don't make very much money—rather than flying the planes in a way that's much more efficient, including fuel-efficient (namely, much fuller), on less frequent schedules. At \$178 coast to coast, it doesn't take many passengers to pay for another flight. So you fly them frequently and mostly empty. If the rates were much lower, the planes would be fuller because airlines couldn't afford to fly them empty. Passengers would get what they prefer—namely, low rates; the airlines would make the same amount of money they do today, we would use many fewer resources, and everybody would be better off.

How do I know this? Well, I know that most people, when given the choice between frequent flights at \$178 and infrequent and full flights at much lower rates, choose the latter. For example, they are willing to join bird-watching societies and Scottish-American friendship clubs, and all the rest of it, just to get a cheap ride to Europe. There's nothing quite so inconvenient as paying your dues to the bird-watching society and getting on a plane in Long Beach when you really want to get on at L.A. and getting off at Glasgow when you really wanted to go to London, but the fact is that people do it, and they do it because the fares are low. And they do it notwithstanding the availability of much more convenient service at higher prices. So I deduce that most people would prefer to pay less and suffer some inconvenience.

This is particularly true in vacation markets. Indeed, it is sometimes argued by the airlines that of course deregulation would work out very well for the bulk of people going on vacations, but it would not work out very well for the businessmen who need scheduled service. Well, I find businessmen, whose fares are after all tax-deductible and built into the cost of whatever products they sell, a rather odd object for public bounty—especially for bounty that is raised at the expense of steelworkers who want to go visit their families on

vacation, or even starving academics who like to tour the culture spots of Europe.

I think people who want scheduled service should pay for it, and I think many of them will. Probably not as many of them as pay for it now and who don't need it very much, but indeed that is the very point of the deregulation argument: Many people are buying things they don't need because they don't have any choice. They're buying better meals than they want, they're flying in emptier airplanes than they choose to—and even the emptiness of the planes is understated. We read, for example, that only 50 to 55 percent of the seats are occupied. That's true, but what we don't state is that because of regulation we have many fewer seats in the airplane than we could have. The most common configuration for a DC-10 in the U.S. is with about 250 seats in it. It was designed to carry approximately 350 people. So to fly with 50 percent of 250 seats occupied is to fly with 125 or so people in a plane that was designed for 350, a 35 percent load factor.

How does regulation cause this? It keeps fares high so that the airlines can afford to operate flights with relatively few passengers aboard. This enables them to offer frequent service at high levels of amenity. Since no one can fly less comfortably and conveniently at a lower fare, passengers take the most comfortable and convenient alternative at the higher fare. If you have to pay the fare anyway, you might as well leave exactly when you want to, drink the champagne, and stretch your legs out. And since the fare is pegged at the high price, that is how the airlines compete for your business.

What would the system look like if we deregulated it? First of all, notwithstanding predictions of chaos, there would be relatively few firms in each market. There might be only three or four airlines operating between New York and L.A., but they would be chosen by the market instead of by the CAB. There would be many more firms in the industry as a whole, each serving

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fewer markets than at present. Because of the CAB's restrictive entry regulations, airlines right now are probably considerably larger than they would be under competition—in fact, inefficiently large. If you look at the cost levels of various airlines, you find that many medium-size lines have lower costs than large carriers. Continental and Braniff, for instance, have lower costs than larger ones like American and TWA. There probably is some maximum size level beyond which you get too many vice presidents to be worth paying for.

So there would be fewer firms in each market but many more firms in general in the business. This is very important because that is one of the keys to the success of the scheme. It suggests that if in any market there is not efficient service or prices are too high, there will be many others around, able and willing to offer service in that market. This will tend to make sure the consumer gets the service he wants at the lowest price consistent with the service he wants to buy. It's simply the fact that entry is so easy in the business that makes deregulated markets work. In fact, entry is easier in this particular industry than it is in many businesses that operate satisfactorily in unregulated fashion.

Generally speaking, we would ultimately have many more aircraft, but probably flown on less frequent schedules in any particular market. We would have some deluxe service for those people who are willing to pay very high rates for very high standards of service. There is no reason why they could not be accommodated, either in the front of an aircraft that is sort of like a cattle car in the rear, or in aircraft operated for their exclusive delectation. After all, we have both expensive hotels and Holiday Inns—and we have hotels less expensive than Holiday Inns. I imagine we would have lots of inexpensive airlines, or the same airline offering a choice of very high standard and very low standard service.

I predict that relatively few travelers would pay the rates that high standards of service cost, considering that they're only going to spend a few hours on the plane and that the plane is not a form of final consumption for most of them. It's just a way of getting where they want to go. Some of us like riding around in airplanes, but not many.

In terms of the system, we would see it tailored to the needs of the public. There would be immense amounts of service between cities like L.A. and Chicago, and probably less from, say, San Diego and Cleveland. If it was necessary to provide some service for social reasons, if you think someone living in Williston, North Dakota, or Sidney, Montana, is somehow deserving of a subsidy, then you could simply contract with firms to provide two round trips a day from Sidney to Bismarck, or wherever it is those folks go. This could undoubtedly be done less expensively than it is in the present scheme, where we restrict the operation of the whole market in an effort to insure service to Sidney.

Aircraft would be better tailored to the actual cost of providing service. In the history of the development of airliners we have had numerous aircraft that were developed for regulated markets that could not have existed in unregulated markets. An example is the DC-7, whose operating costs were 10 to 20 percent higher than its predecessor, the DC-6B, but which had the single virtue of being able to fly nonstop from coast to coast. An airplane like the Convair 990, which was ordered by American Airlines and on which General Dynamics lost a great deal of money, was ordered because it was to be 50 miles per hour faster than the competition, even though it had considerably higher operating costs. It should never have seen the light of day, and would not have if its higher operating costs were expected to be reflected in higher fares.

Needless to say, the Concorde would be very unlikely to succeed—to even be contemplated—if one had a deregulated international environment. The fare difference between its service and

the subsonic alternative would be so great that it would be very difficult to persuade anyone to buy it.

As an aside, I think very few people are aware of just how cheap airplanes are—how efficient they are at providing transportation. The direct cost of moving large numbers of people in the large subsonic aircraft we have today and at today's fuel prices—including paying such costs as depreciation on the plane but not for things like the reservation system or the salary of the president of the airline—is about one cent per mile. We obviously need to allow for indirect costs. You have to have some sort of reservation system, you have to have someone running the airline, and you probably won't fly with all those seats full. So you have to make the appropriate adjustments. That's why I think that long-haul fares are probably in the neighborhood of 2½ cents a mile in a deregulated environment. But most people who are interested in deregulation think I'm a bit visionary about that, and I may be on the low side. It may only be 3½ cents a mile.

In a deregulated environment we'd certainly see some changes in fare relationships. We would see a reflection of the phenomenon that it's cheaper to haul 500 people over 1,500 miles than to haul 50 people over 500 miles. And the fare might well be cheaper for the long haul than for the shorter one. There's nothing immoral about that; it just reflects the economics of operating airlines.

Finally we'd see a simpler fare structure. There would certainly not be the enormous proliferation of excursions and special fares—stay 14 to 22 days and reserve 90 days in advance and travel only during the bicentennial year—as we have at present. You'd probably seek peak- and off-peak-hour structures, because you need to have the capacity to provide the daylight fare. You need to fly businessmen around in the daytime. And once you've paid for the airplane, all you have to do is pay for the fuel, additional maintenance, and the pilot; then you can fly around by night quite cheaply.

In vacation markets, actually, the reverse might be the case. The weekend fare might be higher than the weekday fare, as it is in the San Juan market, because people want to start their vacations on Fridays and end them on Sundays; and in those markets where you have some measure of cost-price relationship, it's cheaper to fly during the week than on weekends. In business-oriented markets the opposite would be the result.

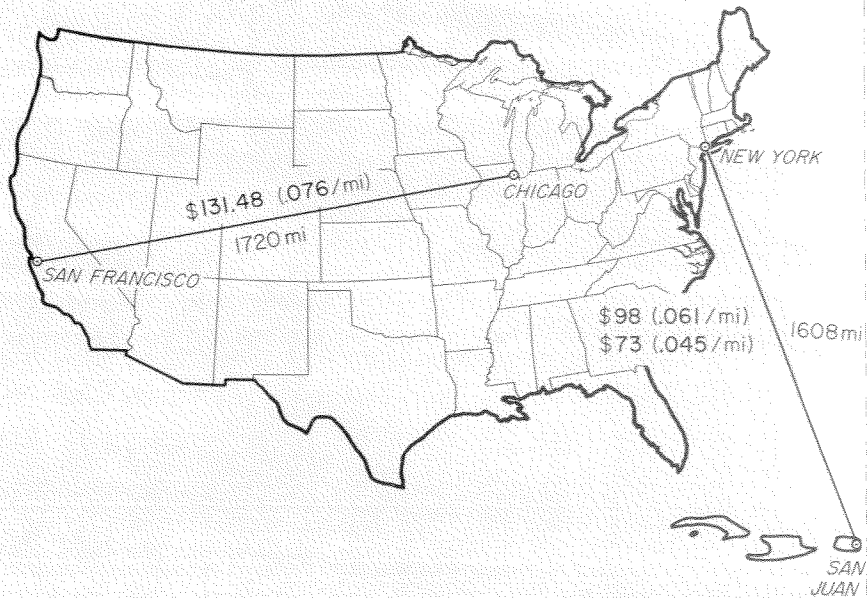
You would still see some fare differentiation, but you would not see promotional fares like the present ones, which are designed to keep the basic fare level very high (to force people without very many alternatives to pay the highest fares possible) and then to use restricted low fares to catch a few more people who are turned away by the high fares.

Is any of this likely? I don't think so. Having painted this vision of Beulahland, I'm sorry to report to you that we are unlikely to get there. There is just too much at stake in the present game for politically organized interests. The airlines like the present system because even limping along is better than going out of business for managements that would not survive in a deregulated environment. The aircraft manufacturers like regulation because in the short run they sell more airplanes that way. If you're going to offer too many flights, you need aircraft to provide those flights, so business will be relatively good for an airplane manufacturer.

I believe that, over the long run, people want to travel so much that if we were offering coast-to-coast fares for \$50, we would see market expansion of a kind we can barely imagine now. So ultimately we would end up producing more airplanes, not less. But people with large investments in engineering staffs and facilities tend not to be comforted by the vision of a rosier future—especially when it's beyond a rather bleak near-term present—and they see deregulation as producing a rather bleak present.

The regulators like their jobs. And Congressmen like to be able to provide service for their small-town constituents, using subsidies difficult to

EVEN WITH THE CAB'S REGULATION, WHERE NEW ENTRANTS HAVE BEEN PERMITTED, FARES ARE LOWER.



quantify or trace.

Only consumers are interested in airline deregulation—or ought to be. But unfortunately they have been taught that we need regulation to protect us from rapacious businessmen. People educated that way are unlikely to put much pressure on their elected representatives for deregulation. They will talk about regulatory reform and getting people in there who will really crack down on the airlines, but in my opinion the incentives of regulators and of airlines are such that it's very unlikely that any amount of regulatory reform will, over the long term, produce the kinds of results we want.

The Ford administration has sent an airline deregulation bill up to the Hill which doesn't do everything I'd like but which would undoubtedly improve things. It would make it easier for an airline to offer low fares, and it would make it a little easier to get into the business. But I think even President Ford has figured out that he is not going to beat Ronald Reagan for the Republican nomination on the issue of airline deregulation. So I don't think you'll see that bill pushed really hard. The committees that count—the Senate Commerce Committee and the House Public

Works and Transportation Committees—are chaired by people who are firmly against airline deregulation.

So it seems to me that although we consumers would benefit greatly from airline deregulation, we will have to live with what we have for the moment. I would predict that perhaps the result of lectures like mine, articles that have appeared in the popular press, occasional letters to Congressmen, and the flurry accompanying the Ford bill will be that the Board will become a little tougher about fare increases and a little more lenient about letting some people marginally expand into the business.

Fundamental reform is what is needed, and unfortunately in this case fundamental reform would seem awfully radical. Free competition often sounds radical these days. It's rather interesting to hear people argue for free enterprise, the American way, and getting government off our backs, but it's very clear that in many cases the government is on our backs in a way that's very profitable to some of the people whose backs it's on. It's most unlikely that the airlines, at least, will be seen to stand up, shrug the government off their backs, and walk off into the new dawn of a free enterprise morning. □

scheme, especially given that we had in mind that regulatory schemes were supposed to work for our benefit.

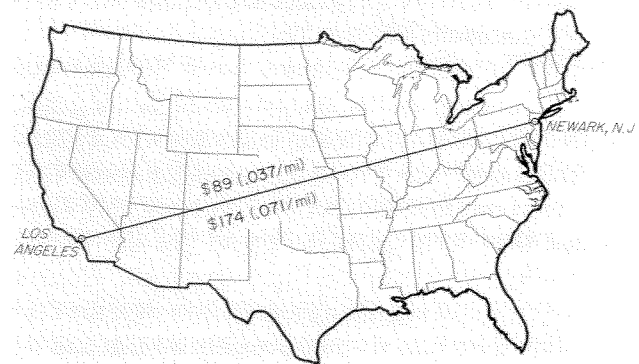
During the 38-year period of the CAB's existence the industry has grown well over a hundred times. Also during that period the CAB regulation has been so effective that not a single new long-haul domestic airline has been licensed. Existing carriers have been given new routes. Classes of carriers have sometimes been created whose rights to operate were limited in such a way that they would not compete directly with the so-called trunk lines. The local-service carriers such as Allegheny, the late unlamented Pacific, and some others are examples of carriers certificated in this way. Some charter carriers have been certificated; and one carrier was given a long-haul route from New York to San Juan—competition being something that we loose on peoples who are a little foreign to us, but something that we do not want too much of at home. But I repeat, in an industry that has grown more than a hundred times, not a single new carrier has been certificated to provide the sort of basic long-haul service that most of us associate with the airline industry—transcontinental service, service up and down the coasts, and service to major resort markets.

Now this is interesting, because the airline business, especially at the fares named by the Board, has been quite attractive to entrepreneurs. But there's a long history of the CAB uniformly turning down attempted applications, culminating in the suppression of the so-called large irregular air carriers that were mostly operated by World War II veterans who had learned to fly courtesy of Uncle, and who wanted to continue to do so. They were kept out of the business by some very odd devices, including a requirement that their operations be irregular; that is, that they not operate on a fixed schedule or hold themselves out to the public as regular carriers.

More recently, there has been an application by World Airways to provide transcontinental service at \$89. Originally this supplemental carrier offered to provide the service from Long Beach airport to Kennedy, but in the hope that the CAB would be persuaded that they weren't really competitors, they have lately suggested service from Ontario, California, to Newark, New Jersey.

In 1966, when they first applied, the fare was to be \$79. The Board did not hear this application in 1966 on the grounds that it duplicated existing air service—as you who have attempted to purchase a ticket to New York for \$89 will know. Since, because of limited funds, the CAB cannot hear every application for new

PROPOSED LOW-FARE COMPETITION HAS BEEN SUPPRESSED.



service, the Board put this application low on its so-called priorities of hearing; it also had a rule that any application not heard within three years would be dismissed as moot. Thus, it had a sure cure for this particular outbreak of the competitive disease; it simply did not hear the application within three years. The application was dismissed, a result that World found most discourteous, so World reinstated it recently, offering to supply the service for \$89.

I was an attorney at the Board around the time that application was made and, with an airline economist, I calculated that under the costs then prevailing and with only two-thirds to three-fourths of the seats full—a result that I think is conservative—World would have made a mere 30 to 40 percent on its investment. Incidentally, the current fare is \$174.

From time to time, the CAB has gone to even greater lengths than fashioning *Catch-22* procedural rules. Recently, a businessman in Beverly Hills, a Mr. Pessis, who did not have the benefit of long acquaintance with the airline industry, decided he would offer air service from California to Europe at low fares. Since he rapidly discovered that he was unlikely to get a license to do that from L.A. to Europe, he hit on the clever expedient of offering service from Tijuana to Luxembourg. As you can imagine, the amount of locally originating traffic between Tijuana and Luxembourg is limited, and I have no doubt he hoped to attract people travelling from southern California to northwest Europe. But he proposed to make some inconvenience worth their while by charging a fare of approximately half the existing economy fare and about 40 percent below the then existing excursion fare. He was going to use the latest generation of aircraft, DC-10's. The aircraft were owned by a British carrier, which had bought them in the expectation of providing low-fare service to the

U.S. and which had then discovered that neither its own government nor the U.S. welcomed it. The aircraft were to be flown by experienced crews, and Mr. Pessis received numerous advance bookings.

Shortly before his company—Air Europe—was scheduled to carry its first happy passengers, a gentleman from the CAB solicited an interview with *Aviation Week* magazine, which soon quoted an unnamed CAB source as saying that this operation was probably illegal and that they were going to try to get the Federal Aviation Agency to stop the flight. The FAA, which is assigned the job of regulating safety, informed the CAB that it didn't see how it could possibly do that and left the matter in the CAB's hands.

Another interview appeared shortly thereafter saying that in the opinion of the CAB the flights were illegal. They were going to arrange for a sky marshal to board the inaugural flight at Tijuana, and if the plane flew over the U.S. on its immoral course to Europe, he would force it down at gun point, presumably to impound the plane and jail the passengers and crew. Somehow the threat of an armed encounter aboard the aircraft persuaded the passengers that perhaps a couple of hundred dollars was not too much to pay for peace and quiet, and they melted away. Poor old Pessis had a very large airplane on his hands that he was committed to lease. Through his lawyer, he attempted to get declarations from the various U.S. agencies involved that there was nothing illegal about the flight. But finally the Mexican government got tired of the embarrassment of having certificated a carrier which its friendly neighbor to the north was not going to allow to operate, and withdrew Air Europe's license. The operation collapsed.

In a few markets, however, entry has occurred. The principal one is New York to San Juan. In that case, a gentleman with very good political connections owned a nonscheduled cargo carrier called Trans-Caribbean Airways, which was operating between New York and San Juan. The airline received temporary authority to carry passengers, and in 1956 he managed to persuade the CAB to give him a permanent license. Fares in the market immediately dropped to half, and although that carrier is now merged with American Airlines, the fares in that market are considerably lower on a per mile basis than the fares on approximately similar flights within the U.S. This suggests strongly to me that in the absence of CAB regulation we could have much lower fares in the U.S.

Well, if this is such an expensive system of regulation, how has it survived for nearly 40 years? What can one possibly say in its defense? I can't help but regard

that as a good question. The answers are less satisfactory, but I'll give you a few. When the industry and the CAB (and it's interesting that for these purposes the answers from both the industry and the Board tend to be rather similar) are asked why we have airline regulation, they give the following answers. If some of them seem a little inconsistent or far-fetched to you, I can assure you that I am not misrepresenting them.

One of the first answers is that without CAB regulation there would be cutthroat competition in the industry. By cutthroat competition the CAB means in this case the rather odd state of affairs in which everyone would compete and offer fares on which no one would make money, and they would all go out of business, and we would have no air service. This, as we know, is just what has occurred in the supermarket industry (which is unregulated) and in the rental car business (similarly unregulated) and in a wide variety of other businesses that have somehow managed to operate without the protection of a government agency.

"Well," you say, "it seems very unlikely that no one can survive. There are, after all, some millions of people each year who want to fly in airplanes. Wouldn't someone be around to carry them?"

"All right," they say, "you're probably correct. They won't *all* go out of business. One will survive. It will be a monopoly, and then you'll be sorry. They'll charge high fares."

And you say, "It isn't too hard to get into the airline business. In fact, you set up the CAB in the first place because it was awfully easy to get into the business. You can, in an afternoon, paint a new sign on the side of an airplane. You can arrange landing rights at a couple of airports and have an instant airline."

"Well," they say, "perhaps you're right, perhaps there'll be some air service around, but it will destroy the airline system as we know it today. We provide service to a great many cities. You can pick up your telephone and arrange by calling one carrier to go from L.A. to Montpelier, Vermont, or Sault Sainte Marie, Michigan, or wherever you feel like going, and it will arrange all the connections and even reserve you a window seat if that's your preference. And you will get a meal that, however dreadful it seems to you, is not as dreadful as it would be if there weren't a CAB. And this is the system that will go by the boards if we abolish regulation. Then airlines will be able to fly the routes they choose, and no one will choose to fly to Montpelier or Sault Sainte Marie. They will all want to fly from New York to L.A. [presumably in one direction only] and then where will we be?"

And finally, pressed to the wall, they will tell you

that the blood will be on your hands if the unregulated environment attracts unsafe carriers. In fact, at a recent symposium in Akron, Ohio, a man from the Air Transport Association looked at me accusingly and pointed out that airlines fly serum from drug companies to hospitals, that without the CAB the serum would never get through, and that, therefore, were we to deregulate airlines He never finished it exactly, but he seemed to be predicting widespread epidemics as the final result of dismantling this system.

"Besides," they say, "look how well we've done. Airplanes are kind of nice, and fares are lower than they used to be on a per mile basis [even these fares]. Undeniably air transportation has grown enormously since 1938, so we must be doing all right."

We could be discourteous and point out that the electronic calculator business seems to have done a lot better a lot quicker without the benefit of regulation and suggest that it's fairly easy to look good when you're riding the early part of a technological development curve. But this is all brushed aside on the grounds that, since things are all right as they are, change is likely to make them worse.

I didn't spend much time on the question of service to major cities only because it's a fairly complex argument that needs to be discussed at some length. But it is the major position to which the industry has recently retreated, so let's talk about it a little bit. Why would it be the case that air service would be provided only between New York and L.A.? This market would no doubt offer profitable opportunities, although not nearly as profitable as at present if the fares fell to what I estimate to be the market rate—about \$50 each way. At \$50 each way, New York to L.A. wouldn't be any *more* profitable than the other routes. The fare from Chicago to Sault Sainte Marie might be almost the same \$50, but that would reflect the cost differences of flying relatively few people in small airplanes to a place where not many people want to go, as opposed to flying large masses of people in very large airplanes to places where lots of people want to go.

In principle it's no more profitable to own a supermarket in Los Angeles than to own one in Bakersfield. There may be fewer markets in Bakersfield, but there will be about as many as the market can support. There's no reason to expect anything different in the airline industry. You may get different fares or different cost relationships, but you should expect people, especially in an industry where the resources are as mobile as they are in the airline industry, to take advantage of whatever profitable opportunities are available. It's much easier to start an airline between L.A. and New

York than it is to open a supermarket in Bakersfield.

What we can be sure of is that service will be offered in any market where it can be provided profitably. Even today much of the service provided in quite small markets is offered by carriers that do not have CAB certificates. Under an exemption program (Part 298 of the Board's regulations) the Board relieves of the requirement to get a license any carriers operating aircraft that don't hold more than 30 people and have a payload of less than 7,500 pounds. These very arbitrary restrictions are designed to make sure those carriers don't operate airlines very much like the airlines the Board exists to protect. Those carriers are now providing the great bulk of service to small towns in the U.S. If you want to go to Hutchinson, Kansas, you fly to Wichita, and you take Air Midwest from there to Hutchinson. If you want to go to Pittsfield, Mass., you fly first to New York and then take Command Airways. Or if you want to fly to San Luis Obispo, you fly to L.A. and take Swift-Aire. These airlines are not regulated by the CAB. They do not receive public subsidy. They do not benefit from the high cost-price margins on long-haul routes—and they provide the service. And, with deregulation, they would continue to provide the service.

In testing the claim by the airlines that under deregulation they would abandon many markets and that they need to make excessive profits in some markets to support service in others, we find the following: Since about the mid-1960's the Board has allowed any trunk line—that is, any unsubsidized long-haul carrier—to drop service to virtually any city it wanted to. The CAB did require some of the local-service carriers to serve some of those cities, but any trunk lines that wanted to delete service could do so. And at the beginning of the program there were deletions. American stopped serving Joplin, Missouri, for example.

Since that period, there have been virtually no deletions simply because on an added-cost basis the airlines make profits serving those towns. In fact, United fought like a tiger to keep its service up the Willamette Valley and up California's central valley when the Board suggested it be decertificated so as to allow Hughes Air West to monopolize those markets and thus make a little more money.

There are a few counter examples. United serves Elko and Ely, Nevada—holdovers from the days when you couldn't fly from Salt Lake to Reno without stopping at least once. They continue to provide this service, since the chairman of the Senate Aviation Subcommittee is one Howard Cannon, Senator from Nevada. Senator Cannon can make his wishes known to

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