Airlines Move to Meet Regulatory Shifts

Washington—Ancient marketplace adage "Let the buyer beware" entered the airline lexicon last week as deregulation took effect in the industry. Passenger and cargo airlines and freight-forwarding companies prepared for a new round of filing dates and deadlines imposed by the Airline Deregulation Act of 1978 and the Cargo Deregulation Act of 1979.

Marvin S. Cohen, a member of the Civil Aeronautics Board for just 15 days, succeeded Alfred E. Kahn as chairman (awast Oct. 30, p. 13), pledging to continue Kahn's competition-favoring policies and to emphasize three programs:

- Establishment of air service to small and isolated communities, first by soliciting views of affected communities and state agencies to set up proper guidelines. Cohen termed the program "the highest priority,"

- Development of an antitrust policy even as the Board considers five airline merger cases whose outcome could "affect the structure of this industry for many years." Cohen said he was "adding a few things to build up our capacity to study the issues" raised by mergers.

- Expansion of consumer protection efforts so that travelers can obtain refunds or other liability payments quickly, so that they can be assured of "clear, understandable" language in descriptions of airline services and so that they can expect the new Bureau of Consumer Protection to act as their advocate in resolving disputes.

The CAB staff was ordered to examine the new law in an attempt to avoid any more mistakes, as was the admitted case when the Board and the staff failed to anticipate and to handle properly airline responses to the new law's dormant authority provision.

Representatives of 23 airlines waited night and day for six days in front of the CAB's office to protect and to apply for new routes that the law had classified as dormant (awast Oct. 30, p. 25). The routes are to be authorized on a first-come, first-serve basis as early as Nov. 8, when the new rule goes into effect (awast Oct. 26 to apply for any dormant markets left open after 30 or 45 days, the Board asked that the line be abandoned and pledged "in the near future to work out fair and orderly procedures for the receipt and docketing of other applications and notices.

In that first round of applications and notices, the airlines applied for 1,292 routes, which involved notices to resume service on 107 routes, including many seasonal winter runs to the south. A CAB report on the filings showed competition, in some cases separate filings per market, for 287 markets and no competition for another 641 dormant markets.

Brannon International reconsidered its dormant authority plans, filing Nov. 1 to eliminate hundreds of routes from its original filing, which involved more than 600 routes including notices to resume service in 11 markets (awast Oct. 30, p. 25).

Describing the authorization of these routes "as a little up in the air," Frederic A. Houghstedt, assistant to the director for special projects in the CAB's Bureau of Pricing and Domestic Aviation, said that routes would be approved as a group if necessary in order to meet the Nov. 8 deadline, but quick authorizations depend on whether incumbents protest the applications, requiring a review of the cases in question.

The CAB was expecting applications Nov. 9 from airlines and freight-forwarders who that day—a year after the signing of the cargo deregulation act—will be permitted to begin filing for 418 certificates to fly cargo anywhere in the U.S., Puerto Rico and the Virgin Islands.

Delta Air Lines and Continental Airlines indicated interest in obtaining these certificates. The CAB has about 75 other cargo shippers and commercial airlines that qualified as cargo carriers under a grandfather clause of the 1977 law that granted that designation to entities already in the business.

Gary Piercy, manager of tariff and pricing under Kahn, said that a "prior open up" would file and was "seriously considering" the purchase of its own aircraft to supplement its present freight-forwarding service thereon. He also planned the use of regularly scheduled airlines.

While airline observers expected few changes as a result of the "total deregulation" of the cargo industry Nov. 9, some concern was expressed that cargo prices could go "wild" now that the CAB no longer requires filing of tariffs.

"How will we know what's going on unless a shipper complains?" a CAB tariff official asked. "Most of this business is handled over the telephone." He questioned whether an unwitting customer would have sufficient documentary evidence for a case even if the bill of lading, the "shipper's ticket," does not indicate an unreasonable price.

Emery's Piercy said the largest portion of its business comes from "occasional users" who do not know price structures. Arthur Bass, president of Federal Express, who has favored Board policies under Kahn because his "open up" operation, said that while he favored "letting the market indicate the cost of service," a lack of control on tariffs "could be harmful."

Delta's Shipley said shippers will "have to negotiate for the best rate" and live by the adage, "let the buyer beware."

Reuben Robertson, new director-designate of the CAB Bureau of Consumer Protection, said the bureau was preparing "to do monitoring of the marketplace to evaluate whether there are wild fluctuations of prices," including examination of bills of lading.

Larger and regular shippers need little protection, Robertson said, because they are likely to know price structures and will act accordingly.

After cargo deregulation began last fall, prices to transport live animals and human remains rose dramatically, Mel Willis, a tariff official with the CAB, said. Flying Tiger lines showed restraint on the cost of shipping live animals, keeping its rate at 110% above the price to move a general commodity, a price most airlines charged last year. Most air carriers now charge 170% higher than general commodity rate.

Evergreen Schedules New Freight Service

San Francisco—Evergreen International Airlines last week initiated a prime-time scheduled freight service on each coast, using Lockheed Electra transports that have been converted to freighters.

The airline, a subsidiary of Evergreen Helicopters, has received a certificate to operate a scheduled cargo service as a result of the Civil Aeronautics Board's moves to deregulate the cargo airline industry.

The new service involves late-night departures from Seattle and Atlanta. The West Coast flight links Seattle with Los Angeles via Portland and San Francisco. The East Coast flight stops at New York's JFK International Airport and Boston and then returns. The Electras operate five nights a week, carrying 8.5 pallets or 34,000 lb.

Evergreen officials said the service is timed to fill the needs of freight forwarders, whose requirement for late departures and early arrivals has been frustrated by the decrease in airline cargo only operations. With the advent of the wide-body transport, air freight is increasingly traveling in the large belly pits of these aircraft, at hours suitable to passengers but not freight.

Evergreen is studying the viability of extending the new service with East-West connecting routes, and utilizing additional aircraft from its varied fleet of transports with cargo capability.

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