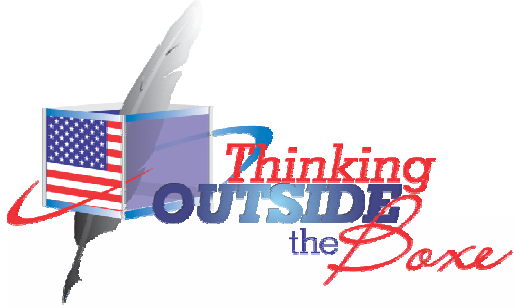


## Silver Lining for the Airline Industry

The tragic events in New York and Washington, D.C. that unfolded on September 11, 2001 perpetuated a chain of events that have left the world mourning and an already fragile airline industry on the brink of ruin. Plagued by declining profitability precipitated by the economic weakness throughout the world, which has prompted business to slash travel budgets, the industry was bracing itself for losses in excess of \$2 billion. Now, the airlines are faced with even steeper losses of almost \$300 million per day inflicted by the disruption of service after the terrorist attacks and by most travelers' reluctance to return to the skies in the wake of the disasters. Despite this gloom and the possibility of bankruptcy, there may ultimately be a silver lining to this very dark and ominous cloud.

The airline industry is now in a position to make major operational adjustments that will benefit both the carriers and their passengers. It would be prudent to eliminate a substantial number of flights from their schedules and in so doing consolidate a number of routes. Though some of the major carriers have already announced the cancellation of up to 20% of their flight schedules, they must continue to eliminate historically unprofitable routes or connections (that may have been provided as a convenience to their passengers) and also several arrivals and departures at the same destination. Business economics suggest it would be much more efficient and profitable, for example, to have one flight from Charlotte to Los Angeles that is fully booked rather than two flights that are only half full. These moves are not capable of providing a full recovery to the industry, but they may well put the airlines back on the straight and narrow path. Of course, the elimination of a wide number of flights may create some timing inconveniences, but travelers surely will not balk given the benefits they stand to reap.

The logistical complexity of tens of thousands of flights per day in the United States has typically resulted in delays nationwide, which often leads to irate travelers, as well as an increase in the risk of accidents (such as two jets cleared for landing simultaneously on the same runway). These problems result simply from congested skies. The logistical nightmare would be alleviated once the number of flights was reduced. On-time performance should improve, as flights are not forced to circle an airport several times while awaiting clearance to land. How could travelers complain



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if they were on time and the risk of a mid-air collision was severely reduced? The airlines should be smiling at the prospect of higher customer satisfaction and less disgruntled passengers creating disturbances while in the air and on the ground. And it would seem that this should all be conducive to the more stringent security measures initiated by the FAA after the attacks, thereby enhancing the safety of travelers and crews alike.

Finally, the most important result of this is the potential resurgence of the rail industry in the United States. Amtrak is working desperately to wean itself from government subsidies. Travelers deterred by air transportation may be more receptive to the perceived "safer" rail transport, which could indeed give Amtrak a new birth of freedom. More important, however, is the pressure that may result for improvements to the nation's rail infrastructure through heavier investment in projects such as a high-speed rail network. Great Britain, Europe, and Japan have far surpassed the United States with respect to rail transportation and have long recognized the benefits of an efficient rail infrastructure. The United States would be greatly improved with additional rail investment, and travelers may prefer the relaxing atmosphere and ambience of trains, despite the increased travel times.

The troubles facing the United States' airline industry may precipitate a positive outcome. Industry leaders and regulators would be wise to seize the opportunity to improve safety, performance, profitability, and the nature of commercial passenger transportation.

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