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Air Transportation Challenges of the 1990s, Part III

Henry R. Lehrer
Embry-Riddle Aeronautical University - Daytona Beach

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EDITORIAL

AIR TRANSPORTATION CHALLENGES OF THE 1990s

Part III

This is the final of a series of three editorials about the challenges of the air transportation system in the 1990s. The first of the series appeared in the fall 1992 issue of JAAER covered traffic demand, profitability, fleet renewals, and fare economies; the second of the series appeared in the spring 1993 issue of the Journal and dealt with airspace and airport Capacity, noise and environmental issues, and new aircraft technology; and this final segment will address the challenges:

      a.   Regulatory concerns,
      b.   Airway congestion,
      c.   The globalization of the air transportation system

When we consider the possibility of global expansion of the air transportation system, one central question seems to prevail. That question is "who is to regulate the new multinational airlines?" Will there be a large series of bilateral agreements or will an era of "open skies" prevail. During the Bush Administration, then Secretary of Transportation Card , as reported in *Air Transport World* in September 1992, had 11 points for open skies. These points included:

1. Open entry on all routes.
2. Unrestricted capacity and frequency on all routes.
3. Operations from any point in the US to any point in the European country without restriction, including service to intermediate points and beyond and the right to transfer passengers to an unlimited number of smaller aircraft at the gateway.
4. Flexibility in setting rates.
5. Liberal charter arrangements.
6. Liberal cargo arrangements.
7. Ability to convert earnings into hard currency and to freedom to return those earnings to the home country with no restrictions.
8. Open code-sharing.
9. Carrier may perform all ground servicing in other countries.
10. Carrier is free to enter into commercial transactions related to their flight operations.
11. Non-discriminatory access and operations of computer reservation systems (CRS).

While these points might seem somewhat pro-global megacarrier with strong balance sheet, they are none the less issues that are of concern within the industry. It may be a little early for the Clinton administration to take a strong position but open skies or perhaps "who's skies will be open and how much" is a bullet that will be difficult to avoid. Furthermore, this issue does not consider the new alliances with members of the former Soviet bloc that are likely to develop. Additionally, several European-US "partnerships" are in the offing.

The matter of crowded airways is a "growing pains" problem. Yes, the projections indicate a steady 5% to 6% traffic expansion in almost all parts of the globe with special areas expanding even more. Air traffic control (ATC) systems and the airway infrastructure are going to need modernization all over the world; some

experts see such modernization as a $25 billion market. Europe alone now has 30 different radar data processing systems in 50 different centers, most incompatible with others. With deregulation now afoot on the continent, the ATC system there will be tested heavily in the coming months.

Reflecting on the past editorials on the *Challenges of the 90s* that have appeared in this journal, it has become all too apparent that the air transportation system - particularly as we know and understand it - is changing rapidly. In fact, we are well into or maybe even beyond the embryonic stage of a globally-based system.

That system is poised for a growth spurt. *Aviation Week and Space Technology* has recently reported that by the year 2010, the Asia-Pacific region will grow from 25% of the world's international traffic to 51% and scheduled traffic will grow in China at 15% per year through the year 2000. Could the 1990s be the decade of restructuring for the US as well as the world airline community? Whatever the result, it may be most appropriate to categorize the 1990s air transportation system's trials and tribulations as "It was the best of times, it was the worst of times."

HRL