

Airlines Industry Overall

Since the birth of flight in 1903, air travel has emerged as a crucial means of transportation for people and products. The hundred-plus years following the invention of the first aircraft have brought about a revolution in the way people travel. The airline business is a major industry, relied upon by millions not only for transportation but also as a way of making a living.

Early 20th Century

Airplanes were around the first few years of the 20th century, but flying was a risky endeavor not commonplace until 1925. In this year, the Air Mail Act facilitated the development of the airline industry by allowing the postmaster to contract with private airlines to deliver mail. Shortly thereafter, the Air Commerce Act gave the Secretary of Commerce power to establish airways, certify aircraft, license pilots, and issue and enforce air traffic regulations. The first commercial airlines included Pan American, Western Air Express and Ford Transport Service. Within 10 years, many modern-day airlines, such as United and American, had emerged as major players.

Mid-20th Century

In 1938, the Civil Aeronautics Act established the Civil Aeronautics Board. This board served numerous functions, the two most significant being determining airlines' routes of travel and regulating prices for passenger fares. The CAB based airfares on average costs, so because airlines couldn't compete with each other by offering lower fares, they competed by striving to offer the best quality service. If the CAB found an airline's service quality was lacking on a certain route, it would allow other carriers to begin operating on that route. In this environment, established airlines enjoyed an advantage over startups, as new carriers found it difficult to break into existing routes. The Federal Aviation Agency, now known as the Federal Aviation Administration, was created in 1958 to manage safety operations.

Deregulation

In the mid-1970s, Alfred Kahn, an economist and deregulation advocate, became chairman of the CAB. Around the same time, a British airline began offering exceptionally inexpensive transatlantic flights, awakening a desire for U.S.-based airlines to lower their fares. These influences led to Congress passing the Airline

Deregulation Act of 1978, ushering in an era of unencumbered free market competition. The CAB disbanded a few years thereafter.

Late 20th Century

Post-deregulation, new carriers rushed into the market, and new routes directly connected cities previously accessible only via a string of layovers. Fares dropped as competition and the number of customers increased. A 1981 air traffic controllers strike brought a temporary setback to the growth, which continued throughout the 1980s. Some of the major carriers who had dominated the skies during the middle portion of the century, such as Pan American and TWA, began to collapse in the wake of competition. Such carriers disappeared completely following the Gulf War and subsequent recession of the early 1990s. Surviving airlines rode out the recession and returned to record profitability by the late 1990s.

21st Century

In 2001, the industry dealt with the effects of another economic downturn, as business travel decreased substantially while labor and fuel costs increased. The events 9/11 greatly magnified the airlines' issues, leading to a sharp decline in customers and significantly higher operating costs. Losses continued for years; the industry as a whole didn't return to profitability until 2006. A relatively stable period followed, although controversies arose over service quality and passenger treatment in terms of flight delays, particularly those involving planes waiting on the runway. In 2010 and 2011, the U.S. Department of Transportation issued a series of rules mandating that the airlines provide adequate modifications for passengers in extenuating circumstances.