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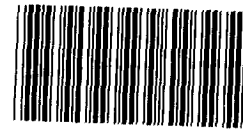
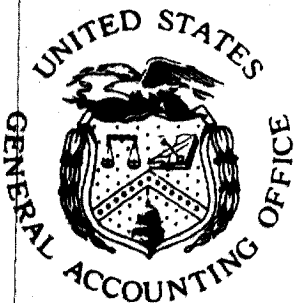
REPORT BY THE U.S.

General Accounting Office

The Changing Airline Industry: A Status Report Through 1982

Since passage of the Airline Deregulation Act of 1978, passenger airlines have experienced greater operating freedoms and changing economic conditions. GAO's review of airline operations before and after deregulation through 1982 shows that

- traffic increased in 1982 following 2 years of losses and earlier substantial gains;
- fares increased at a lower rate than airline costs both before and after deregulation; in 1982 air fares fell below prior year levels while costs increased slightly;
- industry rates of return on investment declined in 1980, 1981, and 1982 after 2 years of higher results;
- significant productivity gains in 1978 and 1979 were severely eroded in 1980 and 1981, but 1982 saw productivity turn upward;
- weekly departures and available seats increased at all but the smallest communities; and
- safety was not adversely affected.



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RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION


B-197119

The Honorable James J. Howard
Chairman, Committee on Public
Works and Transportation
House of Representatives

The Honorable Norman Y. Mineta
Chairman, Subcommittee on Aviation
Committee on Public Works and
Transportation
House of Representatives

This report, prepared in response to your January 19, 1983, request, discusses changes in the airline industry since passage of the Airline Deregulation Act of 1978. It updates our earlier report entitled "The Changing Airline Industry: A Status Report Through 1981" (GAO/CED-82-94, June 24, 1982). The report discusses airline traffic; fares; profits; productivity; air service patterns, including service to small communities; and the safety records of domestic passenger airlines before and after the start of deregulation.

As arranged with your offices, we are sending copies of this report to the Director, Office of Management and Budget; the Chairman, Civil Aeronautics Board; the Secretary, Department of Transportation; interested congressional committees; and other interested parties.


J. Dexter Peach
Director

D I G E S T

Since the Airline Deregulation Act of 1978, the airline industry has encountered adverse economic conditions, rapidly rising fuel prices, and the air traffic controllers' strike, making it difficult to judge deregulation's role in the industry's performance. This report is a snapshot of the airline industry before and after the act. It is not intended to be an assessment of deregulation's impact.

At the request of the Chairmen, House Committee on Public Works and Transportation and its Subcommittee on Aviation, GAO updated its earlier report entitled "The Changing Airline Industry: A Status Report Through 1981" (GAO/CED-82-94, June 24, 1982). That report, comparing conditions that existed in the airline industry before and in the first 4 years after deregulation, presented data indicating that gains in traffic, productivity, and service made in 1978 and 1979, the first 2 years after deregulation, were offset by 1980 and 1981 declines. This report shows that in the fifth year after deregulation, traffic and productivity increased. The airlines' profitability has been declining steadily since 1978.

The airline industry, which is sensitive to general economic conditions, was adversely affected in 1982 by a third consecutive year of a slow economy. However, during the year passengers were lured to air travel by discount pricing, and the Federal Aviation Administration began to ease capacity restrictions at some airports. Restrictions at major airports, which resulted from the aftermath of the air traffic controllers' strike, are expected to be fully lifted by the end of 1983 or early 1984. Information reported by the airlines for the first 3 months of calendar year 1983 shows air traffic is continuing

to increase, but airline profitability is still declining.

INDUSTRY CHANGES

As requested GAO analyzed four aspects of the industry's operations--traffic, fares, profitability, and productivity.

Traffic

Since deregulation began, airline traffic has increased substantially. In the first 2 years of deregulation, 1978 and 1979, passengers increased by an average of about 30 million per year; the next 2 years saw passenger decreases of 18.5 million in 1980 and 7.6 million in 1981; during 1982 passengers increased by 12.4 million. The average annual increase in passengers since deregulation was 9.3 million, while the annual increase in the 5 years before deregulation was 11.5 million. (See pp. 4 and 5.)

Fares

In 1982, air fares fell below prior year levels while a Civil Aeronautics Board (CAB) index of airline costs rose slightly. Air fares increased before and after deregulation but at a lower level than airline costs. Since deregulation began, air fares have increased about 46 percent, while the CAB index of airline costs showed increases of about 87 percent. (See pp. 5 and 7.)

Profitability

The domestic industry's rate of return on investment fell to a 7-year low in 1982. By contrast, the industry had a decade-high rate of return on investment in 1978 and an above-average return in 1979. In May 1982, a major airline, Braniff, declared bankruptcy. (See pp. 10 and 11.)

Productivity

Improved airline productivity and favorable economic conditions contributed to airline profitability in 1978 and 1979. The Nation's declining economy and inflation adversely affected the industry in the next 2 years and

led to lower airline productivity, as evidenced by the sale of fewer seats and higher airline costs. In 1982, despite a third year of a slow economy, airline productivity improved. Part of the gains, however, resulted from price discounting which, although increasing passengers and load factors, did not allow the airlines to break even. (See pp. 11 and 12.)

Airline costs, adjusted for inflation, which had increased significantly between 1972 and 1979, rose between 1979 and 1981, and declined in 1982. (See pp. 12 and 14.)

AIR SERVICE PATTERNS

Weekly departures and available seats have increased at all but the smallest communities since deregulation.

The growth in air service is marked by sharp gains from 1977 through 1979, broad-based declines from 1979 through 1981, and renewed gains in 1982. Service between most large and medium community markets increased, while flights between smaller communities had the heaviest percentage of reductions since deregulation. (See pp. 16 to 18.)

Changes in air service patterns have not affected all geographic areas equally. Twenty-seven States had increases in weekly departures and available seats between 1977 and 1982. The remaining 21 of the contiguous 48 States and the District of Columbia had a decrease in departures and/or available seats. (See pp. 21 to 23.)

During the 10 years before the act was passed, 137 communities lost all certificated air service--service provided by airlines holding CAB certificates of public convenience and necessity. The act guaranteed essential air transportation for 10 years to small communities that were receiving air service on the date of the act from a certificated carrier. (See pp. 24 and 25.)

CAB has determined the essential air service requirements of and has ensured continued air service to 555 small communities that were covered by this provision. Beyond that,

however, 203 small communities were receiving service on the date of the act from noncertificated carriers and were therefore not eligible for essential air service protection. Of these, 102 communities, or 50 percent, have lost all air service since deregulation. (See p. 24.)

SAFETY

Studies by the Secretary of Transportation showed no evidence that deregulation adversely affected air safety in 1979, 1980, or 1981. Air traffic safety statistics for 1982 indicated that certificated airlines lowered their overall accident rate, but two major fatal accidents in 1982 raised the 1982 fatality rate significantly above that of 1981. Commuter airlines, which are not certificated by CAB, cut their fatal accident rate and fatality rate by about one-half in 1982, compared with 1981. (See p. 26.)

GAO did not obtain agency comments on this report. However, the information was discussed with CAB officials.

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ABBREVIATIONS

CAB	Civil Aeronautics Board
FAA	Federal Aviation Administration
GAO	General Accounting Office

GLOSSARY

Available seats	Installed seats in an aircraft, excluding any seats not offered for sale.
Available seat-miles	The aircraft-miles flown on each flight stage multiplied by the number of seats available for revenue use on that stage.
Certificate of public convenience and necessity	A certificate issued to an airline by the Civil Aeronautics Board (CAB) authorizing it to engage in air transportation.
Certificated airlines	A class of air carriers that hold CAB certificates of public convenience and necessity authorizing them to engage in air transportation.
Certificated point	A place authorized by CAB to receive scheduled air service by a certificated airline, including a place covering more than one community or served through more than one airport.
City pairs	The origin and destination cities of an air trip.
Commuter airlines	A class of noncertificated air carriers which operate small aircraft (under 60 seats) and weekly conduct at least five round trips between two or more points based on published flight schedules.
Competitive market	A pair of places served by more than one airline.
Departure	An aircraft takeoff from an airport.
Enplanements, passengers	The total number of passengers boarding aircraft.
Essential air transportation	The threshold number of departures linking a community to the nationwide air transport network. Two round trips per day, 5 days a week, or the level of service provided on the basis of calendar year 1977 air carrier schedule, whichever is less, is the statutory minimum service.
Flight, scheduled	Any air trip periodically operated between two places which is designated by a flight number or otherwise in the airline-published schedule.

Hub, air traffic	The cities and standard metropolitan statistical areas requiring aviation services. Communities fall into four classes as determined by each community's percentage of the total enplaned passengers in scheduled and nonscheduled service of the domestic certificate route airlines in the 50 States, the District of Columbia, and other U.S. areas designated by the Federal Aviation Administration. A large hub is a community which enplanes 1 percent or more of total enplaned passengers for all air services in the United States; a medium hub, from 0.25 to 0.99 percent; a small hub, from 0.05 to 0.24 percent; and a nonhub, less than 0.05 percent.
Hub-and-spoke network	A traffic system which feeds air traffic from small communities through larger communities to the traveler's destination via connections at the larger community.
Intrastate airlines	A class of noncertificated air carriers operating wholly within the same State.
Load factor	The proportion of aircraft seating capacity that is actually sold or used, determined by dividing revenue passenger-miles by available seat-miles.
Local service airlines	A class of air carriers which originally provided service to small and medium communities on low-density routes to large hubs and which were eligible for CAB subsidies to cover operating losses from such service. These carriers have since evolved from their "feeder" airlines origination into medium to large airlines.
Official Airline Guide	A bimonthly publication of the airlines' scheduled operations and services, showing service and fares to one city from all other cities where direct or simple connecting service is available.
Revenue passenger-mile	One paying passenger transported 1 mile in revenue service, computed by multiplying aircraft-miles flown by the number of paying passengers for each interairport flight.

Revenue ton-mile	One ton of revenue traffic transported 1 statute mile. Revenue ton-miles are computed by multiplying tons of revenue traffic by the miles this traffic is flown.
Single-plane service	Air service between two cities using the same plane even though the flight involves one or more enroute stops.
Trunk airlines	A class of certificated route air carriers engaged in providing primarily domestic scheduled passenger service between medium and large hubs.

CHAPTER 1

INTRODUCTION

This report, covering airline industry operations before and after deregulation through 1982, is the fourth in a series of reports. The Chairmen of the House Committee on Public Works and Transportation and its Subcommittee on Aviation asked us to update our earlier report entitled "The Changing Airline Industry: A Status Report Through 1981 (GAO/CED-82-94, June 24, 1982). Data presented in that report showed, among other things, that since the Airline Deregulation Act of 1978 (Public Law 95-504) air fares have been steadily increasing but at a lower rate than airline costs. The report also showed that increases in airline traffic, weekly departures, and available seats in 1978 and 1979 were eroded by reductions in 1980 and 1981. This report describes the first 5 years after deregulation and shows that in 1982 air fares fell below 1981 levels, while costs increased slightly. In addition, air traffic, weekly departures, available seats, and load factors all turned upward. The airline industry's return on investment, however, continued the decline started in 1979.

AIRLINE DEREGULATION

Airline deregulation is a gradual process. The act provides for phasing out the Civil Aeronautics Board (CAB) and transferring some of its functions to other agencies. On December 31, 1981, most of CAB's domestic route authority expired, and on January 1, 1983, its authority over domestic fares expired. Also on that date, CAB's authority over domestic mergers and interlocking relationships was transferred to the Department of Justice. On January 1, 1985, CAB will cease to exist unless the Congress has taken action to the contrary. At that time, CAB's authority to provide subsidies for air transportation to small communities will be transferred to the Department of Transportation. The Department, together with the Department of State, will also have authority over foreign air transportation. Authority over airline agreements, mergers, and interlocking relationships involving domestic airlines with foreign airlines or persons will go to the Department of Justice. Determinations of domestic mail rates will be made by the U.S. Postal Service.

THE ECONOMY AND THE AIRLINE INDUSTRY

Air travel is sensitive to general economic conditions. In 1982, the fifth year of airline deregulation, the airline industry's economic performance suffered as it was faced with a third consecutive year of a slow economy. Economic gains under a more favorable economy between 1977 and 1979 were eroded between 1980 and 1982, as will be seen in the following chapter. During

1982, however, air traffic and overall air service increased as airlines discounted air fares at certain airports. The Federal Aviation Administration (FAA) also began to lift flight restrictions that resulted from the Professional Air Traffic Controllers Organization strike. Restrictions at all affected airports are expected to be lifted by the end of 1983 or early 1984.

OBJECTIVES, SCOPE, AND METHODOLOGY

This report is not intended to be an assessment of deregulation's impact. Since deregulation, the industry has encountered a slow economy, rapidly rising fuel prices, and the air traffic controllers' strike, making it difficult in our opinion to judge deregulation's role in the industry's performance. Rather, the report is more of a snapshot of the airline industry before and after the act's passage. It compares, as requested, traffic trends; fares; profits; productivity; service patterns, particularly at small communities; and air safety in 1982 with earlier years.

In January 1981, CAB adopted newly defined airline groupings in place of the historical prederegulation airline categories. The new categories are majors, nationals, and large and medium regionals and are based on airline size as measured by total operating revenue. They replace the former categories--trunks, locals, and various other groups. Under the new categories, for instance, all of the former trunk airlines plus two former local airlines (Republic and US Air) are now included under the majors group, while the remaining former local airlines (Frontier, Ozark, Piedmont) now come under the nationals group. Other airlines in the new nationals group include four former intrastate airlines (Air California, Air Florida, Pacific Southwest, and Southwest). The large and medium regionals groups consist primarily of former commuter airlines.

Since our earlier three analyses of airline performance were based on the prederegulation categories, we continued to use these categories in 1982 for comparability purposes. It should be noted, however, that because of the airline industry's rapid changes since deregulation, some airlines included in the prederegulation categories may no longer be providing the type of service traditionally identified with that category. For example, since deregulation, certain former intrastate and commuter airlines have become engaged in longer haul service with larger planes.

We conducted our review at Civil Aeronautics Board headquarters and Federal Aviation Administration headquarters in Washington, D.C., between February and May 1983. The statistics we used in our review come from CAB records and airline service schedules on file at CAB. The financial statistical data was

developed by CAB from individual airline data on revenues, costs, passengers, and other business information which each airline must file with CAB. The service statistical data was developed by CAB from the Official Airline Guide. We used CAB data as provided, comparing 1982 data with that of earlier years and postderegulation with prederegulation data. This review deals with the domestic airline industry, including trunk, local service, intrastate, commuter, and other airlines. A more detailed explanation about data sources and methodologies used appears in other sections of this report. (See p. 15.)

At the request of the Chairmen of the House Committee on Public Works and Transportation and its Subcommittee on Aviation, we did not obtain agency comments on this report. However, we did discuss its contents with officials of the Civil Aeronautics Board. With this one exception, our review was performed in accordance with generally accepted government auditing standards.

Although the Airline Deregulation Act was not enacted until October 24, 1978, CAB began easing airline controls before that time. Since 1977, CAB has gradually lessened restraints on the airlines' ability to enter and exit markets and has provided airlines with increased fare flexibility. To reflect these changes in our comparisons, we arbitrarily considered calendar years before 1978 as being before deregulation and calendar years from 1978 to date as after deregulation. Those comparisons, however, require a word of caution. They also reflect changes which have occurred for reasons other than airline deregulation, such as those attributable to changing economic conditions.

CHAPTER 2

CHANGES IN AIRLINE TRAFFIC,

FARES, PROFITS, AND PRODUCTIVITY

Air traffic, which rose sharply in 1978 and 1979 but then declined in 1980 and 1981, showed a renewed increase in 1982. Air fares fell in 1982, while airline costs increased slightly. Airline return on investment continued to decline in 1982, reaching its lowest point in the past 7 years, after setting an industry record high in 1978.

Load factors, which in 1978 and 1979 were 61 and 63 percent, respectively, declined in 1980 and 1981 to 58 and 57.5 percent, respectively. In 1982, load factors rebounded slightly to 58.5 percent. In the 4 years before deregulation, the average load factor had been 55 percent, while the load factor for the 5 years after deregulation averaged 59.6 percent. Actual costs per revenue ton-mile decreased in 1982. When the effects of inflation are removed, these costs declined from 1972 to 1979, increased between 1979 and 1981, and fell in 1982.

TRAFFIC TRENDS

Using both revenue passenger-miles and total passengers as a measure, air passenger traffic during the period 1973-82 increased substantially. During the first 2 years of deregulation, 1978 and 1979, revenue passenger-miles increased by an average of about 24 billion per year, but in the third and fourth years, 1980 and 1981, declined by 8.7 billion and 1.4 billion, respectively. In 1982, revenue passenger-miles increased by 11.6 billion over 1981 and 1.5 billion over the previous 1979 high. The average annual increase for the 5 years, 1978 through 1982, was 10 billion, while the average increase before 1978 was 8 billion. Similarly, the number of airline passengers increased by an average of about 30 million per year in the 2-year period 1978-79 but declined by 18.5 million and 7.6 million in 1980 and 1981, respectively. In 1982, passengers increased by 12.4 million over 1981 but were still 13.7 million below the previous 1979 high. Passengers increased by an average of 9.3 million over the 5-year period 1978-82, while they had increased at an average of about 11.5 million before 1978. (See app. I.)

As previously noted, air travel is sensitive to economic conditions. Two Department of Commerce indexes are available to measure this relationship--gross national product and disposable personal income. Both reflect the general economic changes likely to influence both business and nonbusiness demand for air travel. Chart 1 shows that between 1977 and 1979, passenger traffic increased considerably more than both economic indexes.

In the 1980 recession, air traffic fell moderately as real gross national product declined 0.3 percent over the four quarters of 1980. In 1981 air traffic continued to fall slightly despite a rise in the real gross national product. In August 1981, the airline industry suffered from air service restrictions resulting from the Professional Air Traffic Controllers Organization strike. In 1982, air traffic increased as real gross national product declined but real disposable personal income rose. The airlines' discount pricing contributed to the 1982 air traffic gain.

Market shares

The trunk airlines still dominate the airline industry, although their share of the total market has decreased steadily since deregulation. Between 1977 and 1982, the trunks' share of the market dropped from 87.6 to 77.4 percent. Local service airlines picked up most of this shift. Their market share increased by about 50 percent, to 12.7 percent of the market. (See app. II.)

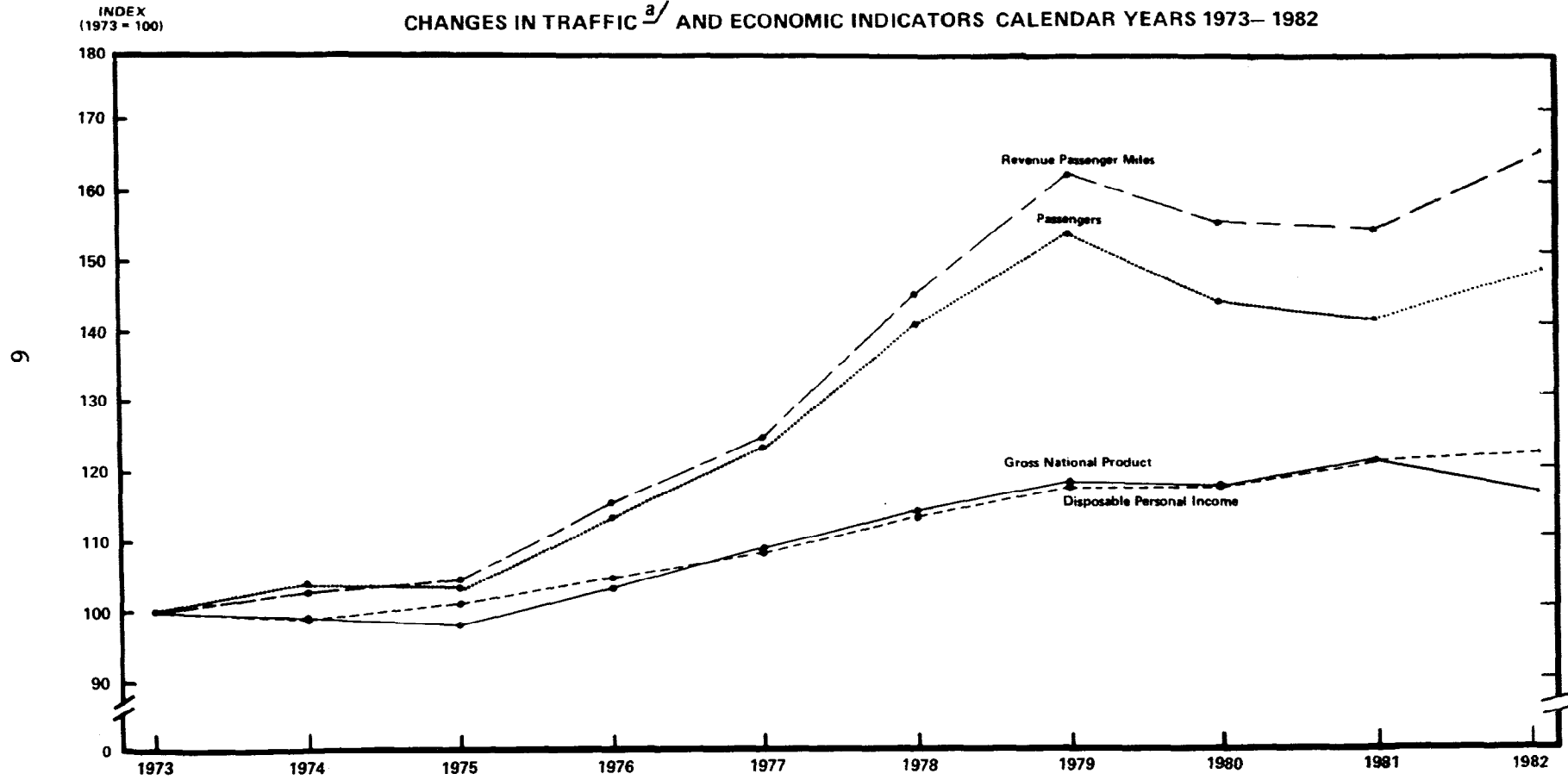
FARES

In 1982, air fares fell below 1981 levels, while a CAB index of costs to the airlines rose slightly. Over the past 10 years, both air fares and costs have risen significantly. (See table 1.) In the 5 years before deregulation (1972-77), air fares per passenger-mile increased by 33.3 percent, or about 5.9 percent compounded annually. During the same period, airline costs went up 75.7 percent, or about 11.9 percent compounded annually, or almost twice the air fare rate.

In the 5-year period after deregulation began (1978-82), average fares per passenger-mile increased 46.4 percent, or about 7.9 percent compounded annually. In 1982, however, average fares decreased by 6 percent over the 1981 level. During the 5-year period, airline costs rose 87.4 percent, or about 13.4 percent compounded annually. Costs, however, increased by only about 2.4 percent between 1981 and 1982.

Chart 1

CHANGES IN TRAFFIC ^{a/} AND ECONOMIC INDICATORS CALENDAR YEARS 1973- 1982



^{a/} Covers domestic scheduled certified carriers, former intrastate carriers, and commuters.

Table 1

Changes in Consumer and Airline Costs

	Before deregulation (1972-77)		After deregulation (1978-82)	
	<u>Total increase</u>	<u>Average annual compounded increase</u>	<u>Total increase</u>	<u>Average annual compounded increase</u>
------(percent)-----				
Air fares	33.3	5.9	46.4	7.9
Airline costs index (note a)	75.7	11.9	87.4	13.4
Consumer Price Index	44.9	7.7	59.2	9.7

a/Based on a CAB index of costs to the airline--fuel, personnel, goods and services purchased, and landing fees, but not capital charges such as depreciation, amortization, and interest. This index compares prices paid by the airlines in a given period to prices paid in 1978.

The Consumer Price Index is an indicator of a broad range of consumer price changes. If it is used as an approximate indicator of how consumer prices have increased, then air fare increases since deregulation have been lower than the overall rise in consumer prices between 1978 and 1982. In the 5 years before deregulation, average air fares also increased at an average rate below the Consumer Price Index.

Table 2 shows that, except for 1982, actual average fares per passenger-mile have been rising steadily since 1972. However, when the effects of inflation are eliminated (see table 3), all air fares, in terms of 1970 dollars, had actually declined for the 8-year period ending 1979. In 1980 and 1981, the fares increased to their highest levels since deregulation but retreated in 1982.

Table 2

Average Fare Per Passenger-Mile
on Domestic Air Services
(actual dollars)

<u>Calendar</u> <u>year</u>	<u>All</u> <u>travelers</u>	<u>Travelers on scheduled service</u>			<u>Nonscheduled</u> <u>service</u> <u>travelers</u>
		<u>Combined</u>	<u>First class</u>	<u>Coach</u>	
----- (cents) -----					
1972	6.3	6.4	8.7	5.9	3.3
1973	6.5	6.6	8.9	6.1	3.3
1974	7.4	7.5	9.9	6.9	3.7
1975	7.6	7.7	10.6	7.1	4.2
1976	8.0	8.2	11.5	7.5	4.1
1977	8.4	8.6	12.1	7.9	4.3
1978	8.4	8.5	12.0	7.8	4.8
1979	8.9	8.9	11.3	8.3	5.5
1980	11.5	11.6	15.3	10.8	7.4
1981	13.1	13.1	16.8	12.2	9.5
1982	12.3	12.3	15.1	11.6	9.7

Table 3

Average Fare Per Passenger-Mile
on Domestic Air Services System
(1970 dollars)

<u>Calendar</u> <u>year</u>	<u>All</u> <u>travelers</u>	<u>Travelers on scheduled service</u>		<u>Nonscheduled</u> <u>service</u> <u>travelers</u>	
		<u>Combined</u>	<u>First class</u>	<u>Coach</u>	
	----- (cents) -----				
1972	5.9	5.9	8.1	5.5	3.0
1973	5.7	5.8	7.8	5.3	2.9
1974	5.8	5.9	7.8	5.5	2.9
1975	5.5	5.5	7.6	5.1	3.0
1976	5.5	5.6	7.8	5.1	2.8
1977	5.4	5.5	7.8	5.1	2.7
1978	5.0	5.1	7.1	4.7	2.8
1979	4.7	4.8	6.1	4.5	2.9
1980	5.4	5.5	7.2	5.1	3.5
1981	5.6	5.6	7.2	5.2	4.1
1982	5.0	5.0	6.1	4.7	3.9

RETURN ON INVESTMENT

The airline return on investment¹ was 3.3 percent in 1982, its lowest point in the past 7 years. (See table 4.) The industry's domestic operations as a whole were unprofitable in 1982 for the second straight year. In May 1982 one of the industry's trunk airlines, Braniff International, declared bankruptcy.

The industry's rate of return on investment has been declining steadily since 1978, after recording a 12.9 percent rate of return. The return on investment rate for the 5-year period since deregulation averaged 6.6 percent per year, while the average rate for the 6-year period before deregulation was 7 percent per year. Over the 11-year period, 1972-82, the average rate of return on investment was 6.9 percent.

The airline industry's domestic operations as a whole were unprofitable in 1982. The domestic trunk airlines reported losses in 1982 totaling about \$646 million, while local service airlines had profits of about \$73 million. In contrast, the industry's trunk airlines in 1981 had losses totaling about \$172 million, while the local service airlines reported profits of about \$53 million.

Information reported by the airlines for the first 3 months of calendar year 1983 shows that industry profitability is still declining.

¹The rate of return on investment is developed by dividing the net income after taxes, plus interest expenses on debt, by the total investment in the carrier. It should not be confused with the return on stockholders' equity, which is developed by dividing the net income after taxes by the stockholders' equity. The former is a measure of the return on the investment, including debt, in the company. The latter is a measure of the return on the owners' (stockholders') investment in the company.

Table 4

Rate of Return on Investment (note a)
Domestic Operations

<u>Year</u>	<u>Percent of return on investment</u>
1982	3.3
1981	<u>b/</u> 4.3
1980	<u>c/</u> 5.6
1979	7.1
1978	12.9
1977	9.7
1976	7.9
1975	3.2
1974	9.0
1973	6.3
1972	6.1
1978-82 average	6.6
1972-77 average	7.0
1972-82 average	6.9

a/Based on CAB definition of airline rate of return. Basically, the figure represents net income and interest expense divided by the sum of airline debt and equity.

b/Excludes Pan American World Airways' extraordinary gain of \$249.4 million on the sale of Intercontinental Hotel in 1981. If the extraordinary gain is included, the 1981 return on investment is 6 percent. The 1972-82 average is 7.2 percent, if both the 1980 and 1981 extraordinary gains are included.

c/Excludes Pan American World Airways' extraordinary gain of \$294 million on the sale of the Pan Am Building in 1980. If the extraordinary gain is included, the 1980 return on investment is 7.8 percent.

PRODUCTIVITY

Load factors and airline costs per revenue ton-mile adjusted to 1978 dollars are two measures commonly used by CAB to measure airline productivity. Through 1979, improved airline productivity contributed to increased airline profits even though air fares were not rising at the same rate as costs. In 1980 and 1981, airline costs per revenue ton-mile increased, traffic declined from 1979 levels, and load factors fell sharply, thus severely eroding the airline productivity gains of the first years under deregulation. In 1982, passenger traffic and load factors increased, while airline costs per ton-mile decreased. However, even with the improved airline productivity, the industry still did not break even.

Load factors

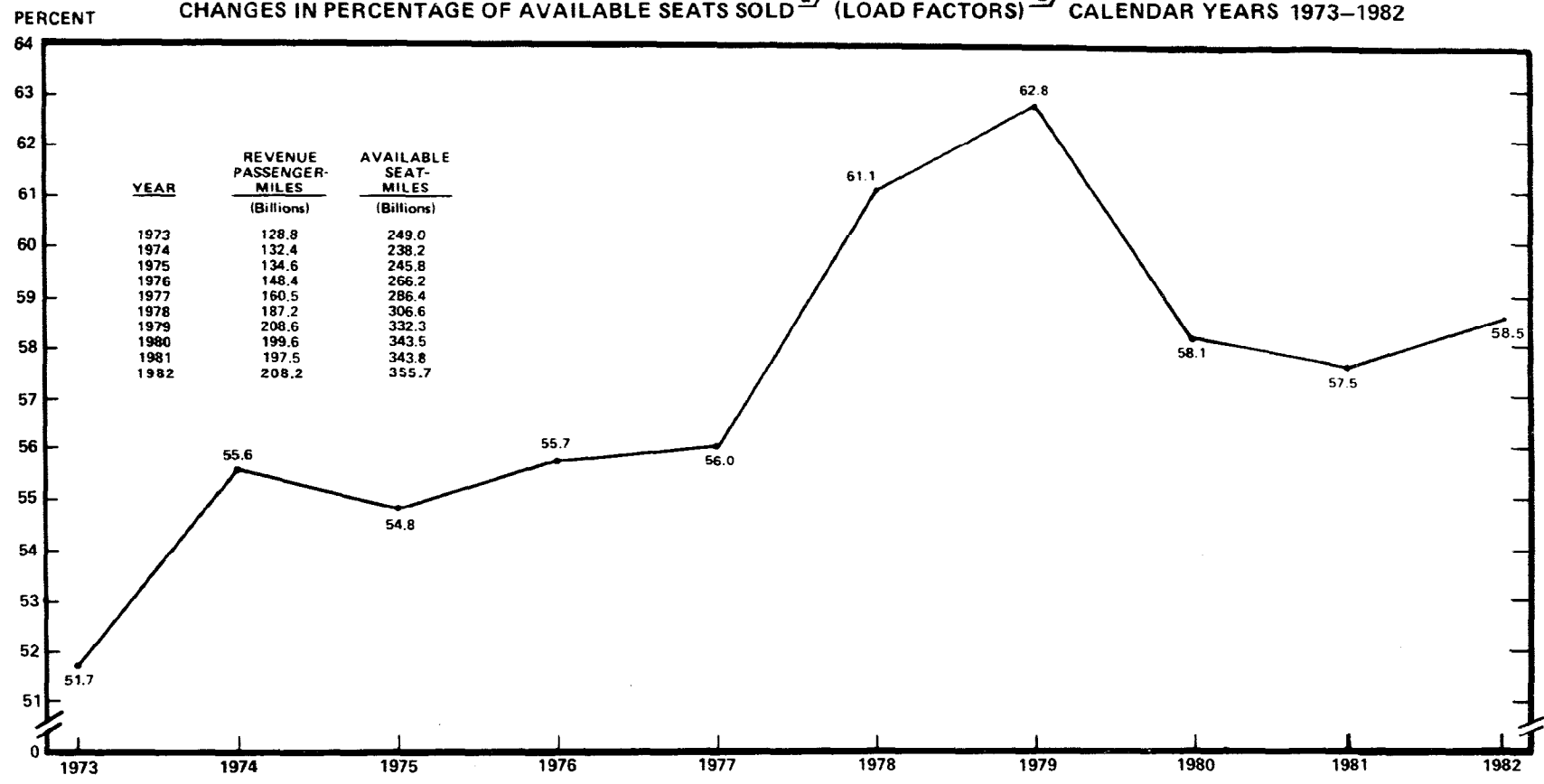
During 1982, airlines were able to increase the percentage of available seats sold. As chart 2 indicates, the 1982 load factor of 58.5 percent, while still above the average load factor of 55 percent for the 4 years before deregulation, fell below high load factor increases achieved in 1978 and 1979. A traffic boom in 1978 and 1979 allowed airlines to increase their load factors to 61 and 63 percent, respectively. In 1980 and 1981, available seat-miles increased, while revenue passenger-miles declined, dropping the load factor to 58 and 57.5 percent, respectively. With airlines making increasing use of discount fares, load factors rose slightly in 1982.

Cost per revenue ton-mile

Airline costs per revenue ton-mile declined in 1982, reversing a general upward trend since 1972. As table 5 shows, when these costs were adjusted for inflation and stated in 1978 dollars (using a CAB index), the airlines' costs had decreased significantly between 1972 and 1979, risen in 1980, and fallen in 1981 and 1982.

Chart 2

CHANGES IN PERCENTAGE OF AVAILABLE SEATS SOLD ^{a/} (LOAD FACTORS) ^{b/} CALENDAR YEARS 1973-1982



13

^{a/} Covers domestic scheduled certificated carriers and former intrastate carriers. Data was not available for domestic commuters.

^{b/} Revenue passenger miles divided by available seat miles.

Table 5

Operating Costs Per Revenue Ton-Mile
Domestic Airline Operations

<u>Year</u>	<u>Actual cost</u> <u>per ton-mile</u>	Cost per ton-mile in 1978 dollars (note a)
	----- (cents) -----	
1972	52.35	100.29
1973	55.07	98.52
1974	63.30	95.33
1975	69.73	94.10
1976	70.87	86.32
1977	74.50	81.24
1978	74.15	74.15
1979	83.66	71.08
1980	109.67	74.96
1981	125.01	74.50
1982	121.23	70.56

a/Actual costs were adjusted to 1978 dollars using a CAB index.
See note a, table 1, for more detail.

CHAPTER 3

CHANGES IN AIR SERVICE PATTERNS

Since airline deregulation, overall air service, in terms of departures and available seats, has increased. Airline competition between communities has increased as well as single-plane service, which allows travelers to reach their destination without changing planes. These overall changes were the net result of sharply contrasting service patterns--strong gains between 1977 and 1979 followed by heavy offsetting losses in 1980 and 1981 and renewed gains in 1982.

Since deregulation, only the smallest nonhub category communities have suffered declines in departures and available seats. Likewise, since deregulation, service between city-pair groups increased for most large and medium markets, while flights between smaller communities had the heaviest percentage of reductions.

CAB has ensured continued service to all certificated communities guaranteed essential air service under the Airline Deregulation Act. However, 145 of these communities are now receiving replacement service by commuter-type airlines using generally smaller planes. Also, of the 203 communities not eligible for the essential air service program because they were receiving service on the date of the act from a noncertificated carrier, 102, or 50 percent, subsequently lost all air service.

METHODOLOGY

To analyze how air service has changed in terms of weekly departures and available seats, particularly at small communities, we analyzed air service patterns at the four FAA community size classifications. FAA classifies communities as either large hubs, medium hubs, small hubs, or nonhubs based on the percent of total U.S. passengers enplaned at each airport.

Using CAB data developed from the Official Airline Guide, we compared the changes that have occurred at each hub category as of October 1, 1977, 1978, 1979, 1980, 1981, and 1982. The data is limited to points in the 48 contiguous States and represents the scheduled, but not necessarily the actual, operations of the certificated, commuter, and intrastate airlines.

To minimize seasonal variations which occur in air travel, we compared the weekly departures of each point for the week of October 1, in the years 1977, 1978, 1979, 1980, 1981, and 1982. In the United States, October is normally an average month for air traffic volume. October is also the anniversary month of the passage of the Airline Deregulation Act.

SYSTEMWIDE SERVICE PATTERNS

System service, which experienced a dramatic jump in weekly departures and available seats between 1977 and 1979, fell sharply between 1979 and 1981 but rebounded in 1982. The overall effect of these contrasting service patterns was a net gain in both departures and available seats of 11 percent and 11.6 percent, respectively.

As shown in table 6, weekly departures increased by 14.3 percent between 1977 and 1979 with all hub groups recording significant increases. These gains dwindled between 1979 and 1981. However, a 9.1 percent increase in departures between 1981 and 1982 raised the overall gain since deregulation to about 11 percent.

Similarly, a 10.6 percent increase in available seats between 1977 and 1979 was erased by offsetting losses between 1979 and 1981. An 11.6 percent gain recorded in 1982, however, pushed the net gain in available seats to 11.6 percent between 1977 and 1982.

Changes in air service since deregulation have not had the same impact on all communities. As shown in table 6, only the small nonhub communities experienced decreases in departures and available seats since deregulation. Medium hubs recorded the sharpest percentage gains in departures and large hubs recorded the sharpest percentage gains in available seats.

Since 1977, competitive markets--those served by two or more carriers--have grown by 333 communities. Between 1977 and 1982, 581 communities gained service by more than one carrier, while 248 lost such service. Markets with single-plane service--between two cities on the same plane without transfers--grew by 6 markets since deregulation, with 2,088 markets gaining and 2,082 losing such service.

Flight frequencies between various city pairs--considered a more precise measure of service--fell about 3 percent between 1977 and 1982. This analysis provides a detailed look at service between 10 possible market groups based on hub size. Using flight frequencies by market type as a measure, 6 out of the 10 market groups experienced declines in service. As shown in table 7, flights between smaller community markets suffered the heaviest percentage of losses, while the medium-to-medium hub markets recorded the greatest increases.

Small community service

With the advent of airline deregulation in 1978, many small communities were in danger of losing air service because airlines were free to move to more favorable markets. As shown in

table 6, nonhub communities were the only group to suffer overall declines in departures and available seats since deregulation. Significant gains in service at nonhub communities initially occurred between 1977 and 1979 and were followed by severe declines in service during 1980 and 1981 and renewed service gains in 1982.

Table 6

Summary of Weekly Aircraft Departures and
Available Seats by Hub Category

	Hub market				Total
	Large	Medium	Small	Nonhub	
Number of communities	23	35	62	518	638
Number of departures per week (in thousands)					
October 1, 1977	58.6	21.7	12.8	27.4	120.6
October 1, 1978	61.9	23.4	13.7	29.6	128.6
October 1, 1979	66.8	25.3	14.5	31.2	137.8
October 1, 1980	63.4	22.8	13.3	27.8	127.3
October 1, 1981	61.5	22.8	12.4	25.9	122.7
October 1, 1982	65.8	26.7	14.5	26.9	133.8
Percentage change					
1977-82	12.2	22.9	12.7	-2.0	11.0
1977-79	13.9	16.6	13.0	13.9	14.3
1978-82	6.2	14.1	5.8	-9.1	4.1
1979-82	1.5	5.4	-0.2	-13.9	-2.9
1980-81	-2.9	0.1	-7.1	-7.0	-3.7
1981-82	6.9	16.8	16.8	3.9	9.1
Number of available seats per week (in millions)					
October 1, 1977	6.6	2.2	1.1	1.1	11.0
October 1, 1978	7.0	2.3	1.2	1.1	11.6
October 1, 1979	7.6	2.3	1.2	1.1	12.1
October 1, 1980	7.1	2.1	1.1	1.0	11.3
October 1, 1981	7.0	2.1	1.0	0.8	11.0
October 1, 1982	7.7	2.5	1.1	0.9	12.3
Percentage change					
1977-82	16.4	15.3	2.9	-16.8	11.6
1977-79	13.9	8.5	4.4	0.5	10.6
1978-82	10.2	9.3	-2.7	-18.8	6.0
1979-82	2.2	6.3	-1.5	-17.2	0.9
1980-81	-1.4	2.1	-8.3	-13.6	-2.5
1981-82	9.8	17.8	13.8	7.7	11.6

Note: Totals may not add due to rounding.

Similarly, table 7 shows that the nonhub city-pair markets experienced more declines in flights than the other larger city-pair markets. The reduction in flights between smaller communities, however, reflects continued development of a hub-and-spoke network. CAB officials believe that a hub-and-spoke network facilitates the flow of air traffic from small communities via connections at a hub airport. They also stated that service between nonhubs and large hubs and nonhubs and medium hubs increased between May 1981 and May 1983.

Table 7

Summary of Flight Frequencies by Hub Market
Oct. 1, 1977, and Oct. 1, 1982

<u>Hub market</u>	<u>Flights per week</u>			<u>Percent change (note b)</u>
	<u>10/1/77</u>	<u>10/1/82</u>	<u>Change (note a)</u>	
	----- (thousands) -----			
Large to large	46.2	44.0	-2.3	-4.9
Large to medium	43.2	45.6	2.5	5.7
Large to small	25.4	26.2	0.8	3.1
Large to nonhub	37.9	35.2	-2.7	-7.0
Medium to medium	8.2	9.6	1.4	17.4
Medium to small	10.4	11.2	0.9	8.3
Medium to nonhub	13.0	12.2	-0.8	-6.1
Small to small	3.5	3.3	-0.2	-5.4
Small to nonhub	10.1	8.1	-2.1	-20.5
Nonhub to nonhub	<u>18.5</u>	<u>14.6</u>	<u>-3.9</u>	-21.2
Total (note a)	<u>216.3</u>	<u>210.0</u>	<u>-6.4</u>	-2.9

a/Totals may not add due to rounding.

b/Difference in the percentage change in departures (table 6) and the market flight frequencies results from two factors. The first is that the data bases differ. The departure data includes foreign flag operations while the market data does not. Second, a compounding effect multiplies the number of city pairs resulting from a multistop itinerary. For example, consider a flight itinerary which serves, A, B, C, and D. There are three aircraft departures--A, B, and C. There are, however, six city pairs: A-B, A-C, A-D, B-C, B-D, C-D. Since airlines have been reducing multistop flights since deregulation, city-pair flights would show greater decreases than departures.

Statewide service

Changes in air service patterns since deregulation have not had the same effect on all areas of the Nation. The Official Airline Guide for the 48 contiguous States and the District of Columbia shows that between October 1, 1977, and October 1, 1982, 27 States experienced gains in both departures and available seats. (See table 8.) The remaining 21 States and the District of Columbia had reductions in departures and/or available seats. (See table 9.) In contrast, only 9 States received increases in departures and available seats between October 1, 1977, and October 1, 1981, while the remaining 39 States and the District of Columbia had a decrease in departures and/or available seats in the same period.

Table 8

States with Increases in Weekly Departures
and Available Seats (note a)
October 1, 1977, vs October 1, 1982

<u>State (note b)</u>	<u>Percentage change in weekly</u>	
	<u>Departures</u>	<u>Available seats</u>
Arizona	51.6	54.8
Florida	41.8	24.1
Utah	39.7	77.4
North Carolina	33.3	44.9
Nevada	32.9	38.4
Montana	31.1	10.1
Massachusetts	28.3	18.9
Oklahoma	25.7	1.7
Colorado	23.5	39.5
Virginia	23.4	15.4
New Jersey	22.4	51.9
Maryland	21.1	32.4
Vermont	18.8	5.5
Maine	18.5	4.9
New Mexico	16.8	4.1
Oregon	15.7	6.3
Georgia	14.4	18.9
Louisiana	13.4	4.2
Washington	10.7	18.0
Pennsylvania	9.8	3.4
Minnesota	9.4	11.0
New York	8.9	14.6
California	5.7	4.8
Texas	4.9	37.8
Indiana	2.9	2.3
Missouri	1.3	14.4
Wyoming	0.5	25.6

a/Includes scheduled air service listed in the Official Airline Guide for the 48 contiguous States and the District of Columbia.

b/Listed in descending order based on percentage change of departures.

Table 9

States with Decreases in Departures and/or Available Seats
October 1, 1977, vs October 1, 1982

<u>State (note c)</u>	<u>All scheduled service</u>		<u>Certificated service only</u>	
	<u>(note a)</u>		<u>(note b)</u>	
	<u>Percentage change in weekly</u>	<u>Percentage change in weekly</u>	<u>Percentage change in weekly</u>	<u>Percentage change in weekly</u>
	<u>Departures</u>	<u>Available seats</u>	<u>Departures</u>	<u>Available seats</u>
Idaho	+40.4	-10.1	+36.3	-10.7
Connecticut	+39.3	-1.0	+36.9	-4.2
New Hampshire	+22.8	-35.6	+22.8	-35.6
Ohio	+19.8	-0.7	+22.8	-0.5
Michigan	+15.5	-0.9	+15.8	-1.0
Arkansas	+9.9	-19.9	+14.6	-20.2
South Carolina	+5.1	-0.5	+6.0	-1.7
Tennessee	+5.1	-1.5	+5.4	-1.5
Iowa	-0.9	-24.6	+13.6	-23.0
Kentucky	-2.8	-10.6	-0.6	-10.4
West Virginia	-4.6	-28.0	-4.5	-28.3
Nebraska	-7.2	-9.1	-7.2	-9.1
North Dakota	-7.3	-15.0	-7.3	-15.0
District of Columbia	-7.9	-4.0	-7.9	-4.0
Illinois	-8.5	-16.9	-8.0	-14.5
Mississippi	-9.6	-9.9	-4.0	-9.5
Alabama	-11.4	-10.3	-9.7	-10.1
Kansas	-12.5	+3.5	-3.3	+5.4
Wisconsin	-12.8	-0.4	-10.8	+8.3
South Dakota	-14.1	-8.1	-14.1	-8.1
Rhode Island	-44.6	-14.2	-32.8	-12.2
Delaware (note d)	-70.0	-65.3	0	0

a/Includes all scheduled air service--both certificated and noncertificated--listed in the Official Airline Guide for the 48 contiguous States and the District of Columbia.

b/Includes scheduled air service listed in the Official Airline Guide for only certificated points in the 48 contiguous States and the District of Columbia which received air service on Oct. 24, 1978.

c/ Listed in descending order based on percentage change in departures.

d/Delaware had no certificated points on Oct. 24, 1978, and therefore lost no certificated service.

When CAB data is adjusted to include only those communities receiving certificated service prior to deregulation, different results are produced. For example, the State of Iowa showed a decrease in departures of 0.9 percent. However, if Iowa's communities served only by noncertificated commuter-type carriers were excluded, then the remaining certificated points would show an increase in departures of 13.6 percent.

SERVICE TERMINATIONS

Under the act, airlines are permitted to terminate air service at certificated communities. To protect small communities receiving or eligible to receive air service on October 24, 1978, against loss of service from such terminations, certificated communities are guaranteed essential air transportation for a period of 10 years from October 24, 1978, and airlines must notify CAB of intended service terminations. Where terminations would affect essential air transportation, as determined by CAB under the act, CAB must arrange for another airline to supply the necessary transportation and may require an existing airline to continue service (hold-in) until a replacement is found. Airlines may be paid subsidies where necessary to provide essential air transportation--including commuter airlines previously ineligible for subsidy.

There were 203 small communities that were receiving service on the date of the act solely from noncertificated carriers. These communities were ineligible for the essential air service guarantee. Of these communities, 102, or 50 percent, lost all service since deregulation. Several communities protected by the essential air service guarantee temporarily lost air service since deregulation, principally because the serving airline experienced financial problems, but subsidized service was eventually restored.

CAB initially determined the minimum air service requirement for 555 small communities covered by the essential air service guarantee. Of these communities, 145 previously served by a certificated airline were now receiving replacement service by a commuter-type airline generally using smaller airplanes. (See app. III.) As of October 1982, CAB was paying airlines to provide essential air service to 88 communities that would otherwise have had all air service cancelled.

An additional 137 communities were eligible under the act for essential air service subsidies. These are communities that lost all certificated air service in the 10 years preceding the act. As of December 1982, CAB was subsidizing air service to 3 communities, and 14 others were receiving unsubsidized air service.

In our report on the small communities essential air service subsidy program ("More Flexible Eligibility Criteria Could Enhance the Small Communities Essential Air Service Subsidy Program," GAO/RCED-83-97, May 18, 1983), we reported that passenger traffic at the 88 communities subsidized under the program had declined by over 50 percent since deregulation and that most communities are likely to lose air service when the program ends in 1988. We suggested that the Congress consider allowing CAB to help some communities develop markets using higher subsidies or discontinue subsidies to communities unlikely to support air service.

CHAPTER 4

DEREGULATION AND AIR SAFETY

The Airline Deregulation Act directs the Secretary of Transportation to report annually on the extent to which airline deregulation has affected air safety. The first three reports, all entitled "The Effect of the Airline Deregulation Act on the Level of Air Safety," were issued in January 1980, May 1981, and May 1982. The Secretary found no evidence that deregulation had adversely affected air safety in 1979, 1980, and 1981. The fourth report which will cover calendar year 1982 had not yet been issued as of May 23, 1983.

Although we did not review the detailed support for the findings included in the Secretary's reports, we examined the methodologies used to arrive at the reports' findings and discussed the planning and execution of the reports with staff involved. The methodology used appears reasonable. The same methodology is being used to prepare the fourth report.

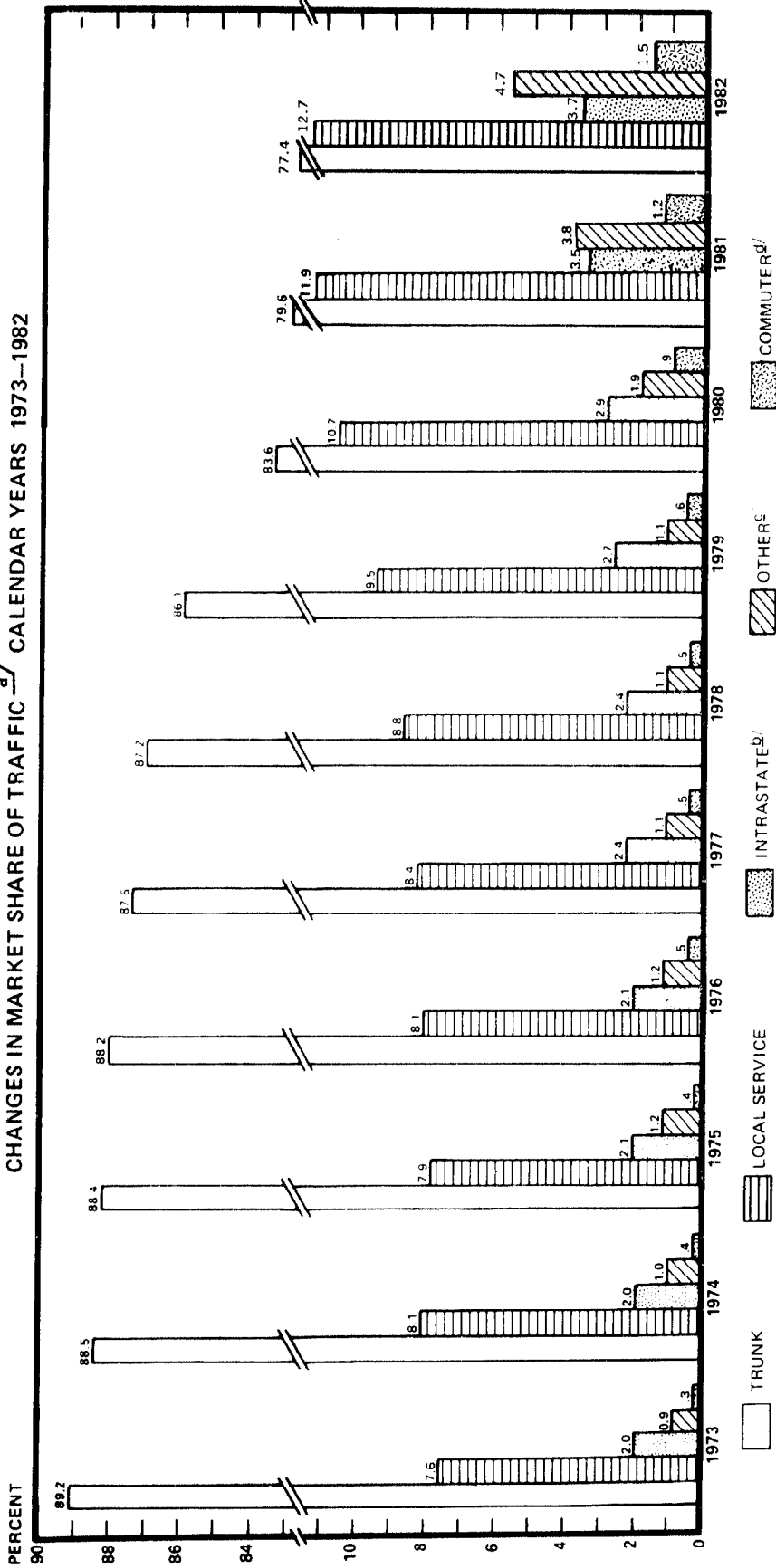
While the Secretary's fourth report on air safety was not available as of May 1983, we obtained the statistics used in the draft report. According to these statistics:

- Certificated scheduled airlines lowered their overall accident rate in 1982, compared with 1981. But two major fatal accidents resulting in 231 fatalities raised the 1982 fatality rate significantly above that of 1981, when only 3 fatalities occurred.
- Commuter airlines cut their fatal accident rate and fatality rate by about one-half in 1982, compared with 1981, and also slightly lowered their overall accident rate.
- Air taxi operators experienced small increases in their overall accident rate and fatal accident rate in 1982, compared with 1981.
- All classes of operators, taken together, showed a slight increase in both the overall accident rate and fatal accident rate in 1982, compared with 1981, but the fatality rate, influenced by two high-fatality accidents, more than tripled in 1982.

ANNUAL CHANGES IN REVENUE PASSENGER-MILES
AND NUMBERS OF PASSENGERS OF DOMESTIC AIR SERVICES

<u>Year</u>	<u>Revenue passenger- miles</u>	<u>Annual changes</u>	<u>Numbers of passengers</u>	<u>Annual changes</u>
	----- (billions) -----		----- (millions) -----	
1982	211.4	11.6	287.9	12.4
1981	199.9	-1.4	275.5	-7.6
1980	201.3	-8.7	283.1	-18.5
1979	209.9	21.7	301.6	24.8
1978	188.2	26.9	276.8	35.4
Average 1978-82	-	10.0	-	9.3
1978-79	-	24.0	-	30.0
1977	161.3	12.2	241.4	19.3
1976	149.1	13.9	222.1	19.2
1975	135.2	2.2	202.9	-0.5
1974	133.0	3.7	203.4	7.8
1973	129.3	-	195.6	-
Average 1973-77	-	8.0	-	11.5

CHANGES IN MARKET SHARE OF TRAFFIC ^{a/} CALENDAR YEARS 1973-1982



a/ Represents revenue passenger miles for domestic scheduled certificated and commuter carriers.

b/ Represents newly certificated former intrastate carriers.

c/ Includes all domestic scheduled certificated carriers other than trunks, locals, and certificated former intrastate and commuter carriers.

d/ Includes newly certificated former commuters.

WEEKLY AIRCRAFT DEPARTURES AT COMMUNITIES WHERE SMALLER
CARRIERS REPLACED LARGER CERTIFICATED CARRIERS SINCE DEREGULATION

OCTOBER 1, 1977, AND OCTOBER 1, 1982

	<u>Weekly departures</u>			<u>Weekly departures</u>	
	<u>10/1/77</u>	<u>10/1/82</u>		<u>10/1/77</u>	<u>10/1/82</u>
<u>Alabama</u>			<u>Georgia</u>		
Anniston	74	56	Athens ^a	27	25
Gadsden ^a	21	36	Moultrie/ Thomasville ^a	14	12
<u>Arizona</u>			<u>Idaho</u>		
Flagstaff	36	63	Lewiston/ Clarkston, Wash.	86	78
Yuma	53	86	Pocatello	55	74
<u>Arkansas</u>			<u>Illinois</u>		
Fayetteville	153	186	Bloomington	56	93
Forth Smith	170	158	Decatur	74	95
Harrison	28	31	Marion/Herrin	27	42
Hot Springs	42	77	Mattoon/Charleston	24	14
Texarkana (Tex.)	40	99	Mount Vernon ^a	24	37
<u>California</u>			Quincy/Hannibal, Mo.	64	85
Bakersfield ^a	78	98	Rockford	28	48
Blythe ^a	14	12	<u>Iowa</u>		
Chico ^a	90	83	Burlington	40	124
Crescent City ^a	14	18	Dubuque	105	76
El Centro	71	80	Fort Dodge ^a	18	22
Merced ^a	14	40	Mason City ^a	38	12
Modesto ^a	59	50	Ottumwa ^a	26	22
Santa Maria	76	186	<u>Kansas</u>		
Stockton ^a	87	61	Liberal/Guymon, Okla.	20	36
Visalia	38	42	Manhattan/Junction City/Ft. Riley	133	143
<u>Colorado</u>			Salina	40	28
Alamosa	0	21	<u>Kentucky</u>		
Cortez	21	54	London/Corbin ^a	20	12
Gunnison	21	56	Paducah	65	96
Pueblo	35	85	<u>Louisiana</u>		
Steamboat Springs/ Hayden/Craig	91	63	Lake Charles	84	154
<u>Connecticut</u>					
New Haven	208	395			

^aSubsidized under the Essential Air Service Subsidy Program.

(Continued)

	Weekly departures			Weekly departures	
	10/1/77	10/1/82		10/1/77	10/1/82
<u>Maine</u>					
Augusta/Waterville	204	137			
Lewiston/Auburn ^a	19	23			
Presque Isle/Houlton	51	50			
<u>Massachusetts</u>					
Hyannis	275	499			
Martha's Vineyard	171	372			
Nantucket	209	592			
Worcester	52	39			
<u>Michigan</u>					
Benton Harbor/ St. Joseph	40	26			
Escanaba	42	74			
Flint	92	118			
Iron Mountain/ Kingsford	42	28			
Ironwood/ Ashland, Wisc.	33	26			
Jackson ^a	33	24			
Manistee/Ludington ^a	7	12			
Marinette, Wisc./ Menominee	35	31			
Sault Ste. Marie ^a	14	14			
<u>Minnesota</u>					
Fairmont ^a	27	30			
Mankato ^a	27	31			
Worthington ^a	27	12			
<u>Mississippi</u>					
Greenwood ^a	19	30			
University/Oxford ^a	28	36			
<u>Missouri</u>					
Cape Girardeau/Sikeston	60	33			
Fort Leonard Wood	86	37			
<u>Montana</u>					
Glasgow ^a	24	19			
Glendive ^a	12	12			
Havre ^a	11	12			
Lewistown ^a	12	24			
Miles City ^a	12	12			
Sidney ^a	12	26			
Wolf Point ^a	12	12			
<u>Nebraska</u>					
Alliance ^a			46	26	
Chadron ^a			14	13	
Columbus ^a			28	12	
Hastings ^a			28	32	
Kearney ^a			35	38	
McCook ^a			44	26	
Norfolk ^a			27	24	
Sidney ^a			40	26	
<u>Nevada</u>					
Elko ^a			14	42	
Ely ^a			14	42	
<u>New Hampshire</u>					
Keene			97	89	
Lebanon/ White River Jct.,Vt.			89	100	
Manchester/Concord			108	153	
<u>New Jersey</u>					
Atlantic City			74	157	
<u>New Mexico</u>					
Alamogordo/Holloman AFB			39	63	
Carlsbad ^a			21	38	
Clovis			42	30	
Farmington			70	126	
Gallup ^a			28	46	
Hobbs ^a			21	31	
Roswell ^a			38	50	
Silver City/Hurley/ Deming ^a			30	12	
<u>New York</u>					
Utica/Rome			88	95	
<u>North Carolina</u>					
Hickory			74	72	
New Bern			62	40	
Rocky Mount ^a			28	40	
<u>North Dakota</u>					
Devils Lake ^a			7	19	
Jamestown ^a			14	28	
Williston ^a			30	45	

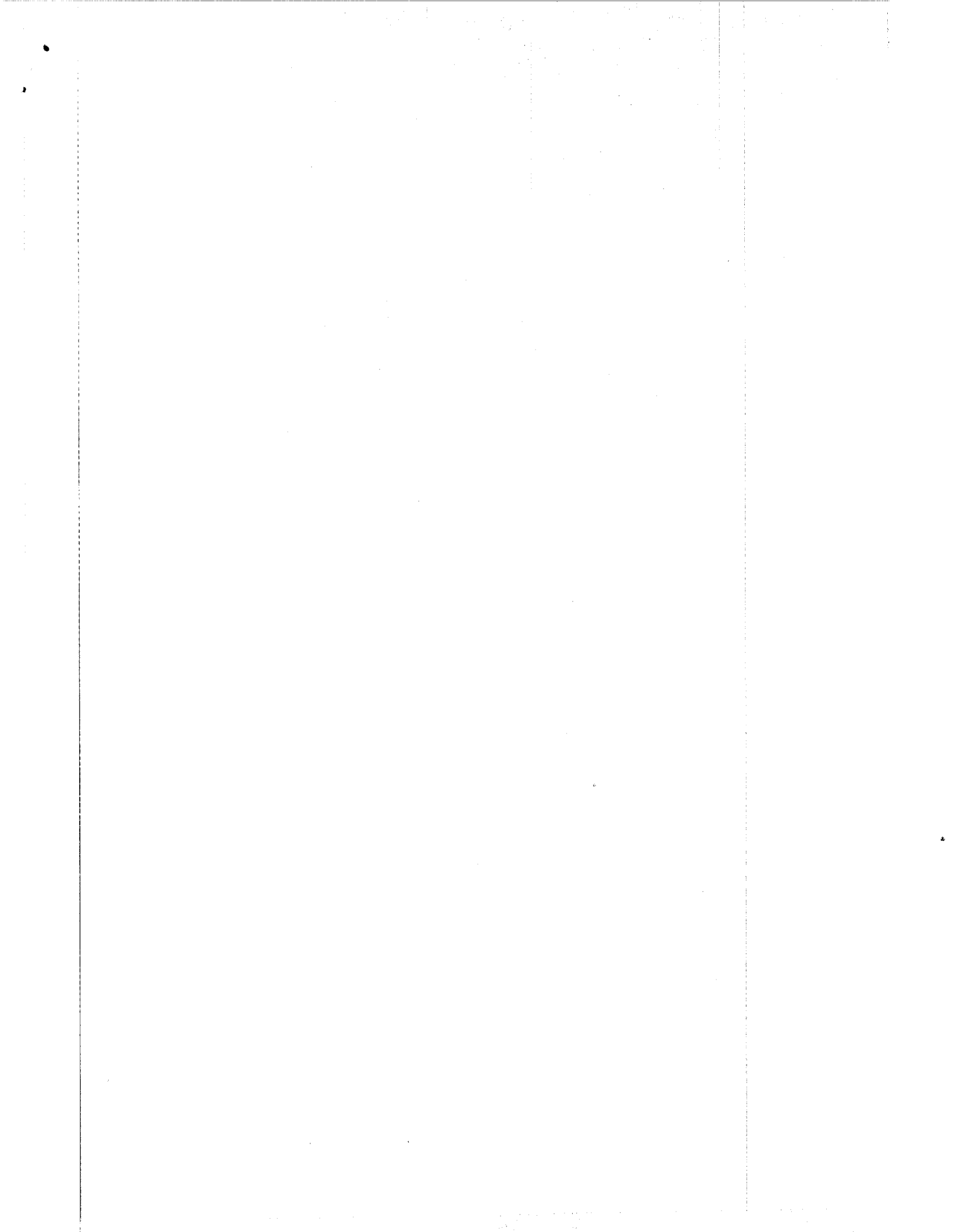
^aSubsidized under the Essential Air Service Subsidy Program.

(Continued)

	Weekly departures			Weekly departures	
	10/1/77	10/1/82		10/1/77	10/1/82
<u>Oklahoma</u>					
Enid ^a	18	24	<u>Virginia</u>		
Lawton/Ft. Sill	95	92	Danville ^a	28	10
McAlester ^a	6	12	Hot Springs ^a	21	16
Ponca City ^a	12	12	Newport News	91	77
			Staunton	47	44
<u>Oregon</u>					
North Bend/Coos Bay ^a	31	37	<u>Washington</u>		
Pendleton	30	23	Yakima	150	156
Salem ^a	26	17	<u>West Virginia</u>		
<u>Pennsylvania</u>					
Bradford	57	42	Beckley	59	43
Williamsport	95	73	Clarksburg/Fairmont	100	80
			Morgantown	99	107
<u>South Carolina</u>					
Florence	69	57	Parkersburg/Marietta, Ohio	49	93
			Princeton/Bluefield	91	50
<u>South Dakota</u>					
Brookings ^a	26	34	<u>Wisconsin</u>		
Huron ^a	21	34	Beloit/Janesville	19	58
Mitchell ^a	28	17	Manitowoc ^a	0	36
Pierre ^a	54	28	<u>Wyoming</u>		
Yankton ^a	27	12	Cody/Lovell/Powell	21	26
			Sheridan	14	24
<u>Tennessee</u>					
Clarksville/ Ft. Campbell/ Hopkinsville, Ky. ^a	12	12	Worland	14	28
Jackson	60	35			
<u>Texas</u>					
Abilene	102	129	Total	<u>7,471</u>	<u>9,414</u>
Beaumont/Port Arthur	131	96			
Laredo	14	39			
San Angelo	49	95			
Wichita Falls	84	186			
<u>Utah</u>					
Vernal	38	49			
<u>Vermont</u>					
Montpelier/Barre ^a	43	41			

^aSubsidized under the Essential Air Service Subsidy Program.

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