

Certificate of public need: a necessity for airlines essay

[Transportation](#), [Airlines](#)



The Certificate of Public Necessity is mandatory for anyone who wants to operate air carriers. The airline should have scheduled transportation activity for property, persons or mail. These air carriers must first prove that they are fit, willing and able to perform the operations while complying with the government rules and regulations. The Department of Transportation (DOT) has to determine whether the applicant is fit to carry out the transportation services. DOT assesses the applicant's capability in terms of operational and managerial capability in carrying out the transportation activities; availability of financial resources to perform the activity while eliminating risk; and compliance of the applicant to the rules and regulations of the government as regards air transportation (Dempsey, 2009). The air carrier must be authorized by the Federal Aviation Act (FAA) to carry out the transportation activities. This act requires the assessment of the safety condition of the air carrier and whether it has the ability to operate. There is also the requirement of obtaining liability insurance (Dempsey, 2009).

The Airline Deregulation Act came into place in the year 1978, and transferred the control of air travel from politics to the market. Initially, the Civil Aeronautics Board (CAB) controlled all the activities of airlines (Smith & Cox, 2008). These activities included pricing of services, entry and exit into the airline business, mergers, inter-carrier agreements and consumer issues. The addition of routes was controlled by CAB before the Deregulation Act. Upon the introduction of the Deregulation Act, air travel was economically liberalized. This was because it was realized that politics did not satisfy the public interests.

Operating and investment decisions were constrained under the regulation

of CAB. There were limitations to routes, prices and entry. The airlines could only control frequency, quality of crew and food. This meant that prices were very high and passengers were few. After deregulation, prices became low due to competition among the different airlines. This has led to an increase in the number of people flying. The government however, has partial control over the grid infrastructure to prevent economic distortions. The grid infrastructure of airlines includes air traffic control systems and airports (Smith et al., 2008).

There is high need for routes and regulations to enable smooth flow of operations. Though the benefits of deregulations are many, there are problems which are troubling the airline industry. These problems include massive adjustment requirements, increase in salaries to the employees despite lacking strong work rules, and low profitability (Smith et al., 2008). The government needs to intervene because the prices the airlines are charging are too low, therefore, making the industry less profitable. The airlines charge prices which are lower than the cost and try to make up by charging prices on items such as luggage, food, pillows, movies, water, carry-on and early boarding (Democratic Convention Watch, 2010). In the near future, the industry might collapse if the government does not interfere.

References

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