**Chapter 3: Transportation Services**

**Regulations and Deregulations of Air Travel**

Basic Principles of Regulations:

1. Sovereignty of each nations or its own air space.
2. Right of all nations to participate in air traffic.
3. Nondiscriminatory regulations of airline traffic.
4. Freedom of each nation to designate it own carrier to operate in its airspace

Multilateral system regulation- regulatory system in which all nations abide by an agreed upon set of rules.

Bilateral system regulations- regulatory system between two nations.

**Economic Aspects of Regulations:**

1. Protected airline business investment by limiting completion and preventing the market from adjusting prices.
2. Forces airlines to maintain routes that were unprofitable.

**The Airline Deregulation Act of 1978**

Purpose:

1. To grant the airlines greater freedom in setting air fares
   1. Set airfares within the zone of reasonableness
   2. Flight of equal distance but with different market characteristic on longer needed to be priced at the same level
   3. Freedom in creating discount air fares
   4. Freedom to set fares for coach and first-classes on the basis of market factors
   5. Freedom to create new routes for both new and established carriers

**Consequences of Deregulations**

1. Number of airlines increased, smaller regional companies were created
2. Number of major airlines decreased due to consolidation of ownership
3. Creation of the “hub and Spoke” routing system

**Challenges Facing Transportation**

1. Fleet planning- company’s effort to match its supply (available seats) with passengers demand
2. Congestion
   1. Cost to traveling public
   2. Stress on security system
   3. Diminish quality of visitor experience
3. Safety and Security
4. Environmental Impacts- including air and noise pollution, global warming, infrastructure construction and tours to ecologically vulnerable areas