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The Delta-Northwest Merger



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Introduction

This paper discusses the airline industry in general, beginning in the 1920s with the small airlines serving postal routes, and progressing through forty years of regulation of the industry from 1938 to 1978. The standing of Delta Airlines and Northwest Airlines during regulation and deregulation are discussed in the first parts of the paper in order to inform the final section of the paper, devoted to the recent merger of these two airlines.

The Beginning

In the infancy of the airline industry, the Air Mail Act of 1925 “sought to promote civil aviation by ordering the carriage of airmail to be transferred from military planes flown by Army personnel to private carriers”^[1]. The act gave life to small aircraft carriers that had attempted to make a profit carrying cargo and passengers, but had failed to cover costs with their revenues. The commercial airline business grew quickly with the availability of the contracts; there were 13 operators in 1926, and 38 by 1930.^[2] The Air Commerce Act of 1926 comprised the regulations to govern aviation in the United States. These regulations centered on safety: they regulated aircraft registration, certification of pilots, air traffic rules, and lighting and navigation beacons at airports.

The founding of Northwest Airlines in 1926 was a perfect example of the effects of the Airmail Act. The airline began as a mail carrier route originating in Minneapolis/St. Paul at what was then the Speedway Flying Field. The two-plane fleet of Northwest Airlines carried mail to Chicago for the first year, and took its first passenger in 1927. When the airline industry was first regulated in 1938, Northwest was operating flights to large and mid-sized cities in the upper Midwest, including Winnipeg, Canada; Omaha, Nebraska, was the southernmost city served. Northwest also operated flights to several Pacific Northwest cities as well as Montana and North Dakota. Passenger revenue did not exceed mail revenue until 1941, and routes were added very gradually, at the rate of one or two per year until 1978 when the airline industry was deregulated and Northwest entered more than 20 new markets in the 1979 year.^[3]

Delta Airlines began in 1924 as a crop dusting operation in Macon, Georgia called Huff Daland Dusters. It was the first agricultural commercial airline and specialized in crop dusting until 1929 when it carried its first passenger, though Delta did not close the crop dusting division until 1966. By then the name of the airline had been changed to Delta, to represent the Mississippi Delta, the primary area served by the airline. Delta ceased passenger operations from 1930 to 1934, when President Roosevelt revoked airmail contracts.

Delta began carrying cargo in 1946, and expanded their route network out of the south with non-stop flights from Chicago to Miami. Delta credits itself with creating the hub and spoke system, which used a central location to connect one Delta flight to another. It was not until deregulation in 1978 that Delta Airlines began transatlantic routes, serving London and West Germany; in 1987 they began flying transpacific routes to Asia.^[4]

Even during the turbulent years of the 1930s, when the federal mail contracts were suspended for a year and Delta, along with other carriers, shut down their operations, the aviation industry continued to grow. The newly fledged airlines sought federal aid and protection from excessive competition. The Air Mail Act of 1934 restored the postal contracts to the carriers and imposed the first, albeit minor, restrictions on entry to the industry. There were several issues with the Act. First, it was intended to be administered jointly by three different agencies and the coordination problems proved insurmountable. Second, the mechanism for doling out government subsidy by issuing airmail contracts was not working. Airlines underbid each other to win contracts, with the hope of winning the losses on the airmail contract back by providing passenger service on the route that they monopolized by virtue of the airmail contract. Finally, the industry was said to be in chaos, repellant to investment, and rife with “irresponsible elements in the industry which perpetuated over competition”^[5].

The federal government responded to the airline industries need for order, aid, and protection from competition by passing the Civil Aeronautics Act of 1938. The Act greatly expanded the federal government’s role in airline industry regulation and created a single body to oversee the industry. The Civil Aeronautics Board (CAB) charged with administration of the regulations was to: First, determine which carriers could serve which routes, except those already in effect; Second, regulate the rates charged by the carriers; and Finally, oversee the setting and maintenance of standards for aviation safety. The following section describes these regulations in detail.

Regulation

Entry & Exit

The first charge of the Civil Aeronautics Board was to determine which carriers could serve which routes. They did this by granting 16 certificates of “public convenience and necessity” to trunk line carriers in 1939. These certificates enabled and obligated those 16 airlines to continue airline service on the routes they served. For this reason this provision became known as the “grandfather clause”.^[6] No new airlines were approved after 1939; only the 16 airlines that provided trunk service when the Civil Aeronautics Act of 1938 was passed were granted certificates.^[7]

Twenty-one local feeder service providers were issued certificates between 1943 and 1950, but they were prohibited from providing non-stop terminal-to-terminal service, or from providing any competition to the trunk lines.^[8] Jordan argues that the CAB had a significant effect on airline entry to the market, and limited the number of airlines that could enter the market as well as when they could enter.

The CAB also regulated airlines’ exit from the market. The intention of the regulations was to preserve the market that each trunk line served. If one of the 16 trunk airlines was no longer competitive and needed to exit the market, the market share would be absorbed into another of the trunk lines. Thus, during the time of regulation, no CAB certified carrier left the market, except by merger and acquisition by another carrier. Again Jordan argues that the CAB regulations had a significant impact on exit from the market, ensuring that each departing carrier transferred its routes to an existing carrier.

Rates

Though the CAB spent most of the Second World War ensuring that the airlines cooperated in the war effort by providing the military with use of their aircraft, the Board also enforced two substantial rate reductions in 1943 and 1945. Douglas and Miller describe these cuts as a “typical regulator’s dilemma”. There was a shortage of aircraft due to the war effort, and demand was rising. In a free market, this would have led to an increase in fare prices. However, with passenger loads increasing, the airlines’ costs per passenger were falling, increasing their profits. The CAB chose to limit the airlines’ profits, rather than approve a fare increase.

The Effects of Regulation

On Airlines

With fares fixed and their routes protected, the best way for airlines to grow their profits was to fill as many seats on flights as possible. They competed for customers by providing the ultimate in in-flight amenities: entertainment, extravagant meals, free champagne, and the most modern aircraft available.^[9] Airlines also tried to compete with one another by offering frequent flights to destinations, so that customers could choose the time that best worked for them. “As a result, most city pairs are connected by multiple daily flights even though these flight often fly half empty”.^[10]

On Consumers

The intensive non-price competition among airlines to attract customers resulted in excessive spending that raised the airlines’ costs, forcing them to turn to the CAB and ask for fare increases. Shepard cites two studies that show that fares under regulation are 48-89 percent higher under regulation than the estimated unregulated fares. However, under CAB regulations, the airlines were required to use the profits of their trunk line service to cross-subsidize feeder routes from rural locations. This was to ensure that customers in less populated areas of the country would receive air service at prices comparable to urban customers. Because of the cross subsidization and pricing of feeder flights below cost, regulated fares to rural locations are lower than estimated unregulated fares.

Events Leading to Deregulation

While the US trunk carriers were regulated, intrastate carriers in California were subject to different, much looser regulations designated by the California Public Utilities Commission. From the period of 1946 when the first intrastate carrier inaugurated service, to 1965, when the California Public Utilities Commission was given similar jurisdiction over Californian carriers as the CAB, California intrastate airlines operated under regulations on fares, but not on entry or exit of the market. The California airlines exited the market by bankruptcy, a transfer of services to another geographical area, or the sale of their assets to firms that were within or outside the airline industry. ^[11]

Intrastate service in California allowed economists to compare the two models for operation of the airline industry. Jordan conducted one of these studies and concluded, "CAB regulation of the certificated carriers did facilitate their organizing and operating as a cartel...Higher price levels and effective price discrimination, combined with limited entry and lower rates of output, should serve to increase profits for cartel members over what they could achieve under other market structures". ^[12] These research findings pushed lawmakers to reconsider the regulations of the airline industry, along with several other developments in the mid-1970s that intensified the pressure and brought the issue to a head.

First, the invention of wide-body aircrafts significantly boosted airline capacity on many routes, the Middle Eastern oil embargo in 1973 led to skyrocketing fuel costs and contributed generally to price inflation and both coincided with an economic downturn that put severe strain on the airlines.

Second, as a result of the economic hard times, the CAB allowed carriers to increase fares, so that a reasonable rate of return for the carriers would be ensured. It also embarked on a four-year moratorium on authorizing new services and approved a series of agreements among the carriers to limit capacity on major routes ^[13]. However, none of these moves were popular with the public. It cost more to fly. Furthermore, the CAB action did little to improve the carriers' financial picture. Earnings were poor throughout the mid-70s, despite these fare increases and capacity constraints.

In 1974, the Ford Administration began to press for government regulatory reforms. Sen. Edward Kennedy chaired hearings of the Senate Subcommittee on Administrative Practice and Procedure. These hearings focused on three questions: Are CAB fares too high? Has the CAB blocked entry? Will reform hurt small communities? The hearings concluded that airline prices in particular would fall automatically if government constraints on competition were lifted and small community air service should continue to receive subsidies as part of the reform package ^[14].

The staff of the CAB reached the same conclusion in a report issued in 1975. The report said the industry was "naturally competitive, not monopolistic," and that the CAB itself could no longer justify entry controls or public utility-type pricing. Alfred E. Kahn, who became CAB chairman in 1977, was persuasive in arguing that the board should give the airlines greater pricing freedom and easier access to routes ^[15].

The Airline Deregulation Act

The Airline Deregulation Act of 1978 removed many of the regulatory controls, changing the face of civil aviation in the United States. The airline industry became a market-driven industry, with customer demand determining the levels of service and price. After deregulation, unfettered free competition ushered in a new era in passenger air travel. The Airline Deregulation Act was approved by Congress on October 24, 1978, a year after the Air-Cargo Deregulation law was signed on November 9, 1977. The Airline Deregulation Act was signed into law by President Jimmy Carter, on October 28, 1978 (Public Law No. 95-504).

Air Cargo Deregulation

Congress took the first legislative steps toward airline economic deregulation in November of 1977, when it gave cargo carriers freedom to operate on any domestic route and charge whatever the market would bear. The law opened doors for new air cargo carriers to start operation, if the CAB could certify that they were found "fit, willing, and able". ^[16]

Federal Express, whose operations had been limited to small aircraft, had innovated with its overnight express service to become a shipping giant.

Air Passenger Deregulation

The same principle of free-market competition was next applied to the passenger side of the business in the Airline Deregulation Act of 1978. Restrictions on domestic routes and schedules were eliminated along with government controls over domestic rates. Eventually, the CAB itself was disbanded. Congress mandated that domestic route and rate restrictions be phased out over four years. It provided for complete elimination of restrictions on routes and new services by December 31, 1981, and the end of all rate regulation by January 1, 1983.

By the early 1980s, federal controls over the entry and exit of airlines, over flight schedules and airfares were abolished. Quality of service requirements ended. Financial oversight was abandoned. Only airline safety remained under federal regulation, in case of a domestic flight. The CAB ceased to exist on January 1, 1985, although certain functions were shifted to other government agencies, primarily the Department of Transportation (DOT).^[17]

What Remains Regulated

International

Among the CAB functions shifted to other parts of the government were the responsibility for awarding landing rights and other privileges in foreign countries to U.S. carriers. International air services are usually governed by air-transport service agreements, referred to as bilateral, between two nations. These agreements specify such things as the cities each nation's airlines may serve, the number of flights they may operate, and how much regulatory authority the governments will exercise over fares. Bilateral negotiations involving the United States are led by the State Department, with active DOT policy input and participation.

In the 1990s, the United States made a concerted effort to liberalize its international aviation markets. This effort has been very successful, and as of April 2000, the U.S. had concluded 45 "Open Skies" agreements, which exchange traffic rights, without any limitation on routes, the number of carriers or capacity; and provide liberal regimes for pricing, charters, cooperative marketing agreements and other commercial opportunities. In cases where the agreements are less liberal and some restrictions exist, it is the task of the DOT to decide which U.S. airlines get those rights through traditional administrative processes.

Antitrust Exemption

DOT received authority to approve and immunize agreements affecting international air transportation; however, the authority over domestic transactions lapsed.

Essential Air Service

DOT was given the responsibility for maintaining air service to small communities. With carriers free to go wherever they want, Congress anticipated that some of the lightly traveled routes would lose service. To assure appropriate service, it established the "Essential Air Service Program", which provides subsidies to carriers willing to serve domestic locations that otherwise would be economically infeasible to serve.

Safety

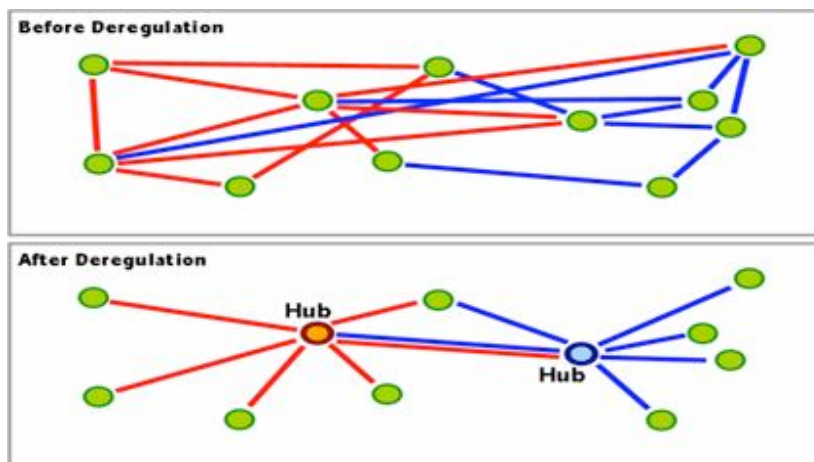
The Airline Deregulation Act ended government economic regulation of airline routes and rates, but not airline safety, which still remains under the government control. The Federal Aviation Administration regulates airline safety.

Consequences of Deregulation

Hub and Spoke

The major airlines "adopted" key cities as centers for their operations; these key cities served as stops for most flights, even if they were not on a direct route between two other end points. Delta Air Lines had a major hub at Atlanta while Eastern ran its hub operations from Miami. Both airlines ran many daily roundtrip flights from their hubs, thus keeping planes in the air for more hours each day and filling more seats. For example, the number of non-stop flights between

New York and West Palm Beach, Florida, jumped from 5 to 236. Hub-and-spoke systems decreased unit costs but created high fixed costs that required larger terminals, investments in information technology systems, and intricate revenue management systems. [18]

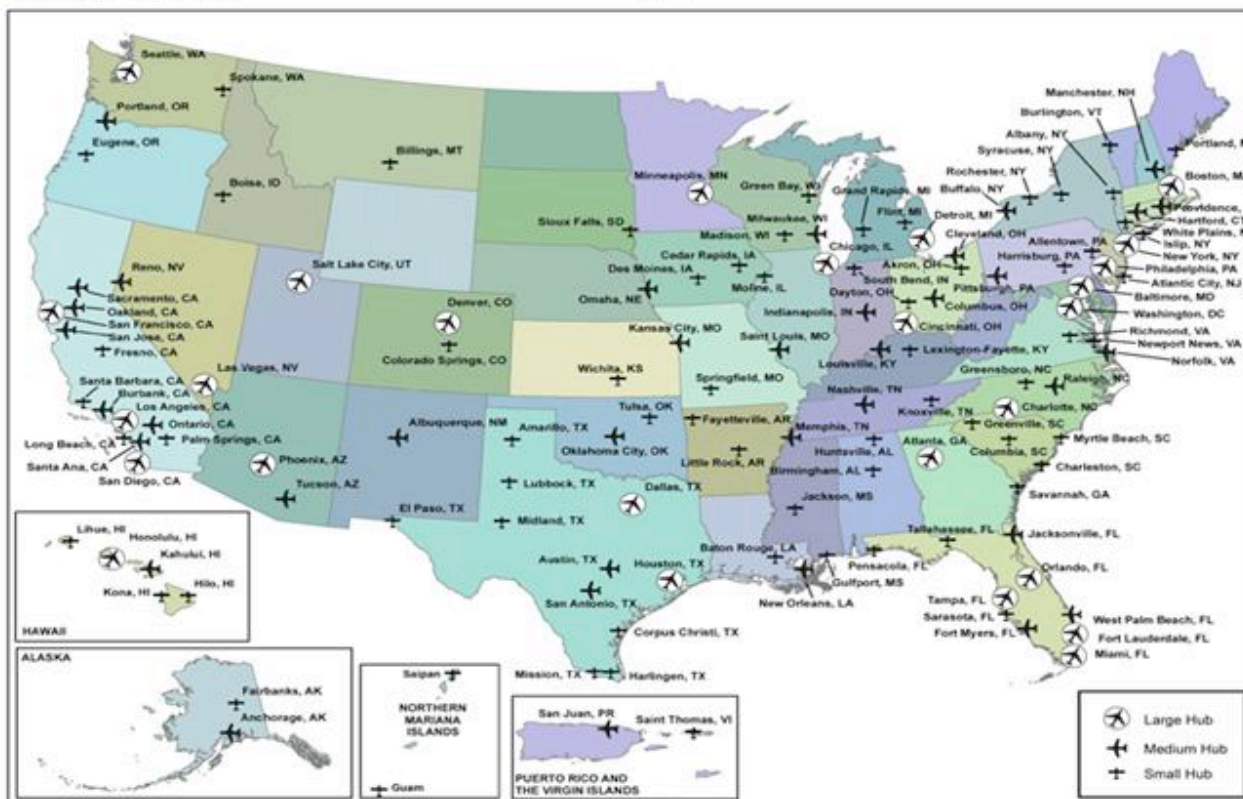


Source: Deregulation and Its Consequences, Asif Siddiqui

Airlines developed hub-and-spoke systems because they enable them to serve far more markets than they could with the same size fleet, if they offered only direct, point-to-point service. At a hub, travelers can connect to dozens, sometime hundreds, of flights to different cities. An airline with a hub-and-spoke system, thus, has a better chance of keeping its passengers all the way to their final destination, rather than handing them off to other carriers. Travelers enjoy the advantage of staying with a single airline.

U.S. Department of Transportation
 Research and Innovative Technology Administration
 Bureau of Transportation Statistics
 Geospatial Information Program

Air Traffic Hubs 2007



Source: Deregulation and Its Consequences, Asif Siddiqui

New Carriers & Low Cost Carriers

Deregulation allowed new start-up airlines to enter the market without having to agree to the demands of the larger established airlines. It opened the airline business to newcomers just as Congress intended. In 1978, there were 43 carriers certified for scheduled service with large aircraft. By contrast, in 2005, there were 139 certificated U.S. [air carriers](#).^[19] The number has fluctuated over the years, with changing market conditions. The new airlines were a result of several factors, most notably low prices for used aircraft and the availability of pilots, mechanics and other airline professionals.

Low cost carriers, like Southwest, emerged with flights on the abandoned point-to-point routes and from secondary airports in major urban areas. This provided the impetus for lower-consumer prices, while providing a model of business success.^[20]

Increased Competition

The appearance of new airlines, combined with the rapid expansion into new markets by many of the established airlines, resulted in unprecedented competition in the airline industry. Today, 85 percent of airline passengers have a choice of two or more carriers, compared with two-thirds in 1978. The airlines compete intensely with one another in virtually all major markets. The growth of hub-and-spoke systems resulted in increasing competition in small markets that would not normally support competitive service with a linear route system. Proportionately, the biggest increase in competition occurred in the small- and medium-sized markets^[21].

Discount Fares

Increased competition spawned discount fares, and from the traveler's perspective, the discounts are the most important result of airline deregulation. Fares have declined more than 35 percent in real terms since deregulation in 1978.

The Brookings Institute, in 1999, estimated that the traveling public was saving in excess of \$20 billion a year as a result of deregulation. Fifty-five percent of the savings resulted from lower fares; 45 percent from increased service frequency, which helps reduce the number of nights travelers must spend on the road. More than 90 percent of air travel today involves a discount, with discounts averaging two-thirds off full fare.^[22]

Growth in Air Travel

With greater competition on the vast majority of routes, extensive discounting, and more available flights, air travel has grown rapidly since deregulation. In 1977, the last full year of government regulation of the airline industry, U.S. airlines carried 240 million passengers. By 1999 they were carrying nearly 640 million. A recent Gallop survey revealed that 80 percent of the U.S. adult population had flown at least once, more than one-third of them in the previous 12 months.^[23]

Frequent Flyer Programs

Deregulation also sparked marketing innovations, the most noteworthy being frequent flyer programs, which reward repeat customers with free tickets and other benefits. Most major airlines have such a program, and many small carriers have their own programs, as well as tie-ins to larger programs. While the programs vary, the essential elements are the same- frequent traveling and rewards. The rewards (free tickets and upgrades that convert coach tickets to first class or business class tickets) are pegged to certain point totals that a traveler scores each time he travels with a particular carrier.^[24]

Increased Bankruptcy & Un-healthy Competition

Not all of the consequences of deregulation have been positive. Prior to deregulation, no airline went bankrupt. Since

1978, 160 airlines have come and gone. The rate of bankruptcy among air carriers has been as much as 10 times higher than that of the general business community. Though, during 2001-2005, air fares have dropped more than 15%, at the same time, 20 airlines have gone bankrupt. United and US Air have walked away from their pension obligations. Northwest just imposed a 25% unilateral wage reduction on its machinists. The industry as a whole has lost \$25 billion. This is not healthy competition. [\[25\]](#)

Health of the Industry

Probably because of mushroom growth in the number of airlines and cut-throat competition among them, the airlines have not found it easy to maintain profitability. Though, the industry as a whole was profitable through most of the economic boom of the 1990s. As the national economy slowed in 2000, so did profitability for the legacy airlines.

Consumers became more price-sensitive and gravitated toward the lower-cost carriers. [\[26\]](#) The Air Transport Association reports that the U.S. airline industry experienced net losses of \$23.2 billion from 2001 through 2003, though the LCCs largely remained profitable. Net losses within the airline industry have largely fueled merger talks among large carriers.

Mergers

Airline bankruptcies, aircraft safety and maintenance concerns, extensive flight delays and cancellations, \$100-plus per-barrel oil prices, and a litany of other issues have plagued the airline industry which is currently in a state of desperation. There have been many attempts to help the airline industry get back on its feet due to congressional intervention, but nothing has thus far succeeded. Despite attempts to move towards re-regulation of the airline industry, CEO's of the largest airline carriers have come up with their own solution, mergers. Airline mergers have been taking place since the airline industry was first conceived. It has only been until recently, however, that mergers among the remaining six large carriers or legacy carriers have been scrutinized, beginning with Delta-Northwest. The catalyst for "merger mania" is centered on the run-up in fuel prices. [\[27\]](#)

History of Mergers

A historical perspective of airline mergers reveals that mergers and acquisitions began occurring in the early to mid-1980s. [\[28\]](#) During this time frame, small local service carriers such as Ozark, Republic, and Southern were combined into larger carriers. A second wave of mergers took place in the later part of the 1980s partially driven by the leveraged buyout phenomena. A third round of mergers was in the midst in the early 1990s, but the effects of the First Persian Gulf War depressed international air travel for the first time since World War II and put an end to most consolidation discussions at the time. During the 1980s, congressional interest in airline mergers was focused on service issues and on insuring that airline employees were fairly treated as firms were acquired and/or combined. The current talks of mergers between the six legacy carriers involve service issues and the treatment of airline employees, but also the costs to consumers and seniority issues and job losses and the motives for mergers in general. A timeline of airline mergers is depicted on the following page.

Airline Bankruptcies/Failures

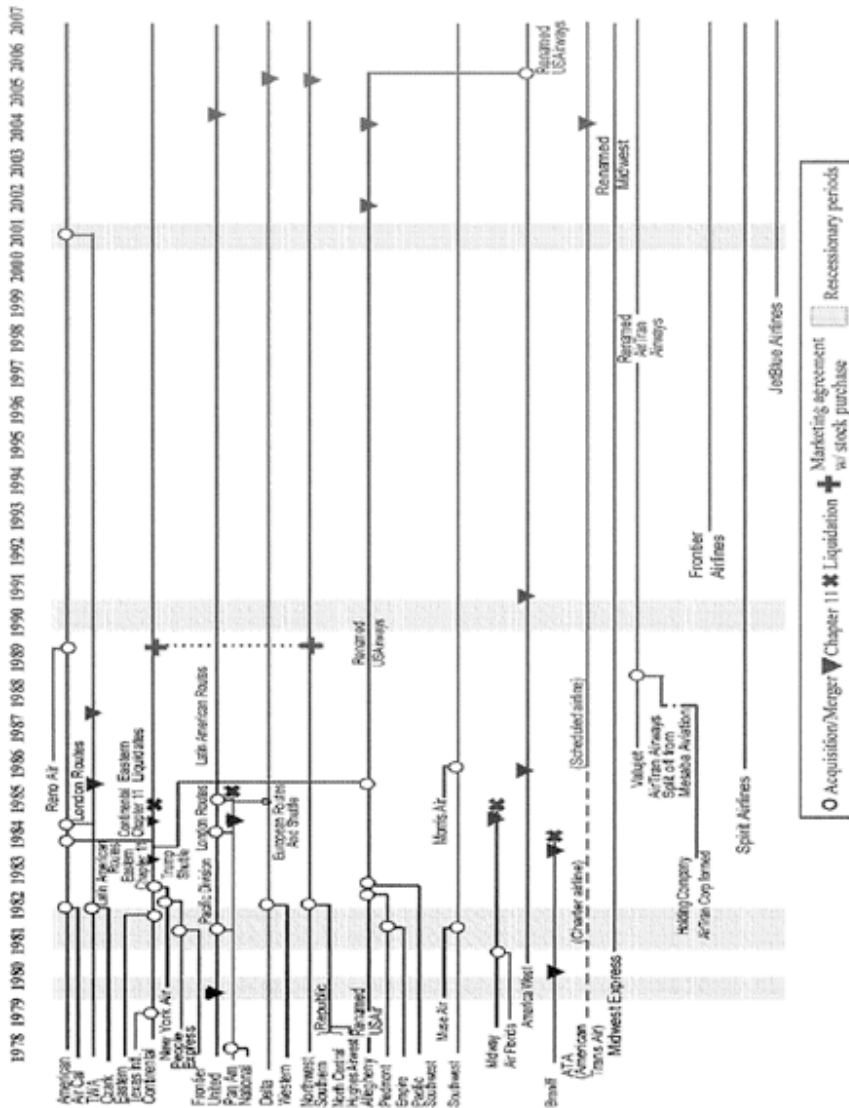
Failure is common in U.S. business but is nearly universal in the airline industry. In the spring of 2008, four airlines filed for bankruptcy protection. [\[29\]](#) Skybus, Aloha and ATA airlines filed for Chapter 7 bankruptcy and have stopped flying and are currently in the process of liquidating their fleets. Frontier filed for Chapter 11 bankruptcy and is in the process of reorganizing. Northwest has been operating under bankruptcy conditions for the past 5 years and Delta has just recently emerged from losses.

Passenger Rights and Issues

Issues regarding the rights of passengers have come to the forefront of the struggling airline industry. Recent incidents of passengers being held on aircraft for eight or more hours awaiting takeoff, passengers being stranded by the shutdown of bankrupt air carriers and deteriorating airline on-time travel performance have led to the increase in consumer issues. ^[30] Most passenger rights are set forth in a contract of carriage, which is a legal contract between the airline and the ticket holder describing rights and responsibilities on both parties. Although airline deregulation was enacted 30+ years ago, experts believe that some of the perceived protections of the regulated era should be reintroduced.

CRS-5

Figure 1. Selected Airline Mergers, Acquisitions, and Bankruptcies, 1978-2007



Source: CRS analysis of various sources.

There are two main differences in the unregulated environment versus the regulated environment for air passenger transportation. First off, under regulation, air carriers did not set their

prices, the Civil Aeronautics Board (CAB) did.^[31] What this meant is that air carries competed on service and frequency rather than price, eliminating this competition. A benefit of this was the process was how easy it was to manage interline agreements among airlines for delayed passengers because major carriers have similar fare structures. Second, CAB used a cost-plus analysis for setting fares and encouraged air carriers to maintain a significant amount of extra capacity. This meant that carriers could operate with load factors as low as 55% and still make money. This led to easier transfers of passengers from one airline to the other due to flight delays or cancellations.

Affects on Consumers and Employees

The primary nuisance for a merger between Delta and Northwest is the issue of seniority. Seniority, to airline employees, is “paramount to getting the best routes, flying the best planes, having prime vacation days and higher pay and generally enjoying better perks and benefits.”^[32] A merger between the two is like putting a giant puzzle together with employee seniority the most difficult part to complete, especially among pilots. Northwest bought Republic Airlines 22 years ago in 1986 and is still trying to figure out how to blend pilot groups from both airlines.

The main issue impacting the Delta-Northwest merger regarding pilots is that Northwest’s pilots tend to be older than Delta counterparts. A majority of Delta pilots bailed out before the 2005 bankruptcy filing. Senior pilots with Northwest did not do the same prior to their filing due to discrepancies among their pension plans and how they were structured.^[33] This situation leaves Delta pilots in a position to lose their rank, resulting in many pilots going back to flying smaller planes and translating into smaller paychecks. Since the September 11th attacks of 2001, airline employees have made numerous concessions to keep airlines alive and cannot bear another blow to a paycheck that has already been shrunken drastically.

Aside from the challenges of bringing together employees from two carriers, the operations of both have to be integrated as well. A look into the history of mergers reveals that most were unsuccessful, with many acquiring airlines divesting acquired routes and newly merged lines crippled by strikes and labor strife. Employee morale, customer service and frequent-flyer programs have all suffered from mergers.

The biggest concern to travelers will be airfare, frequent-flyer points and loyalty to a specific airline, which coincides with seniority issues among employees. Despite this perceived problem, airfares have decreased in real terms over the past 30 years and in spite of high oil prices, airlines don’t have much pricing power. Once they try to raise prices, competitors will enter a given market offering lower rates. Frequent-flyer points and programs will be changed little from mergers due to identical programs. The biggest losers among any merger are the elite frequent-flyers that have maintained allegiance to one airline. Newly merged airlines will transport larger pools of elite fliers with reduced capacity, meaning the real prize of elite membership-first class upgrades, will become harder to get.^[34] Airline mergers will downgrade elite membership due to over-capacity and lead to a loss of loyalty that airlines cannot afford.

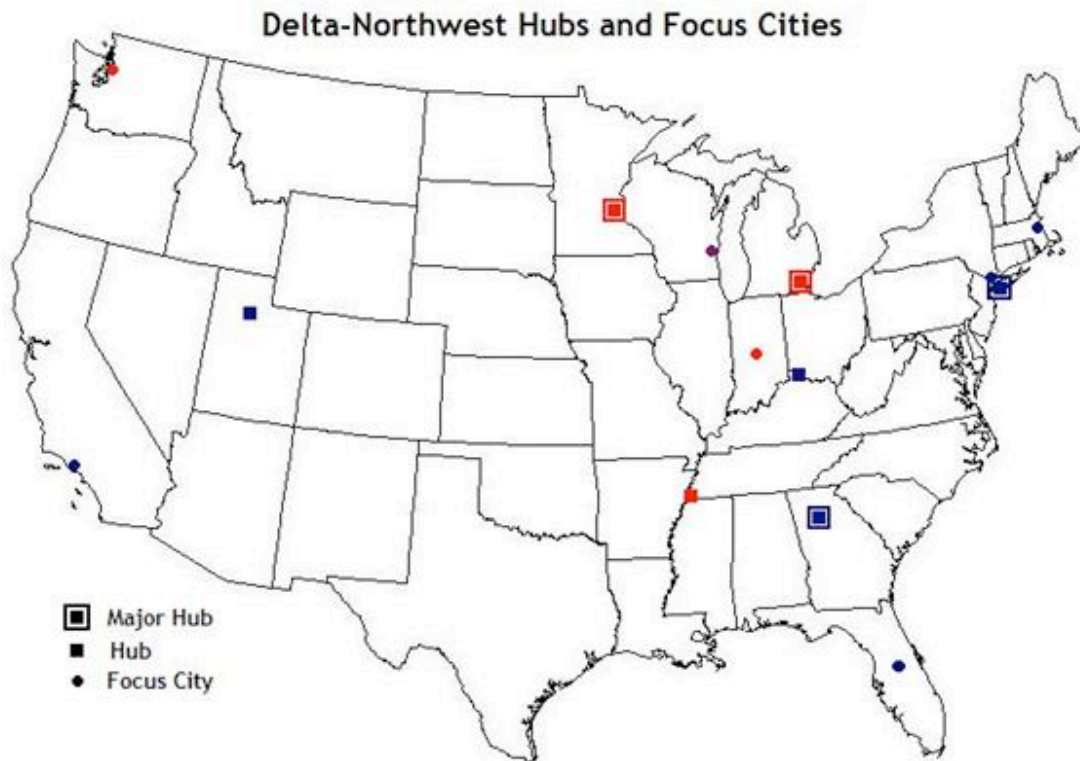
Congressional Intervention

Congressional interest in the airline industry is likely to focus on the proposed merger between Delta Airlines and Northwest Airlines.^[35] Although the merger is legally structured as an acquisition with Delta acting as the acquirer in the combination and the CEO of Delta managing the combined firm, the proposal is none the less a merger. It is widely believed that if implemented, the merger between Delta and Northwest would trigger a reaction in the aviation community, encouraging other carriers to merge. The authority that ultimately accepts or rejects airline mergers lies entirely within the Department of Justice, commonly known as the DOJ.^[36] The DOJ basis its decision on recommendations made by the OST and evaluates the effects of a proposed merger on airline industry competition.

Members of congress have no direct involvement in the process of dealing with mergers, but can and do file statements with the DOJ expressing their view of a proposal. ^[37]

Delta-Northwest

Executives from both Delta and Northwest argue that this merger is necessary for competitive reason and nothing else. In addition to creating the nation's largest airline, executives from both side believe "the new airline will be more stable and be better able to grow to meet the challenges of the future" in what they view as a highly competitive global airline industry and difficult economic environments. ^[38] If the merger takes place, the new combination, which will retain the name Delta, will provide synergies that reduce operating costs by an estimated \$1 billion from costs incurred by the two firms as separate companies. The merger promises not to close airport hubs, reduce air service, or lay off large numbers of employees.



Despite these overzealous claims of essentially creating a "problem-free" airline industry, many industry observers are dubious of these claims. Many find it hard to understand how a merger can expect to decrease operating costs by a proposed \$1 billion without cutting jobs and closing hubs. The track record of airline mergers in the United States is anything but perfect with many experts saying that there will never be a successful merger. ^[39] Given the past track record of mergers and despite their best efforts, there are too many competing interests in mergers that will halt any efforts toward larger airlines.

Conclusion

U.S. Airline mergers between equals or near-equals have a bad record. Changes in the regulatory environments will likely permit mergers between major airline carriers in the years to come. Experts believe that re-introduction of regulation on some level will help solve the problems that plague the airline industry today. If measures are not taken,

consumers and employees stand to face extenuating problems within the airline industry that are likely to worsen.

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