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Commuter Airlines: Their Changing Role

Abstract

In - Commuter Airlines: Their Changing Role – an essay by J. A. F. Nicholls, Transportation Coordinator, Department of Marketing and Environment, College of Business Administration, Florida International University, Nicholls initially observes: “The great majority of airline passenger miles flown in the United States are between large conurbations. People living in metropolitan areas may be quite unaware of commuter airlines and their role in our transportation system. These airlines are, however, communications lifelines for dwellers in small - and not so small - towns and rural areas. More germanely, commuter airlines have also developed a pivotal role vis-a-vis the major carriers in this country. The author discusses the antecedents of the commuter Airlines, their current role, and future prospects.”

Huh; conurbations? Definition: [n.] a large urban area created when neighboring towns spread into and merge with each other

In providing a brief history on the subject of commuter airlines, Nicholls states: “... there had been a sort of commuter airline as far back as 1926 when, for example, the Florida Airways Corporation provided flights between Jacksonville and Atlanta, Colonial Air Lines between New York and Boston, and Ford Air Transport from Detroit to Cleveland.”

“The passage of the Civil Aeronautics Act in 1938 was pivotal in encouraging and developing a passenger orientation by the airlines...” Nicholls informs you.

Nicholls provides for the importance of this act by saying: “The CAA was empowered to act “in the public interest and in accordance with the public convenience and necessity.” Only the CAA itself could determine what constituted the “public convenience and necessity.” Nobody, however, could provide air transportation for public purposes without a Certificate of Public Convenience and Necessity, dispensed by the CAA.”

The author wants you to know that this all happens in the age of airline regulation; that is to say, pre de-regulation i.e. 1978. Airlines could not and did not act on their own behalf; their actions were governed by the regulating agency, that being the Civil Aeronautics Board [CAB], who administered the conditions set forth by the CAA.

“In 1944 the CAB introduced a new category of service called feeder airlines to provide local service-short-haul, low density-for smaller communities. These carriers soon became known as air taxis since they operated as common carriers, without a regular schedule,” says Nicholls in describing the evolution of the service. In 1969 the CAB officially designated these small air carriers as commuter airlines. They were, and are subject to passenger limits and freight/weight restrictions.

Nicholls continues by defining how air carriers are labeled and categorized post 1978; in the age of de-regulation.

Keywords

J. A. F. Nicholls, Commuter Airlines: Their Changing Role, Civil Aeronautics Act, Civil Aeronautics Board, FIU

Commuter Airlines: Their Changing Role

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The great majority of airline passenger miles flown in the United States are between large conurbations. People living in metropolitan areas may be quite unaware of commuter airlines and their role in our transportation system. These airlines are, however, communications lifelines for dwellers in small—and not so small – towns and rural areas.¹ More germanely, commuter airlines have also developed a pivotal role vis-a-vis the major carriers in this country. The author discusses the antecedents of the commuter airlines, their current role, and future prospects.

Commuter airlines were, for many years, the lost children of the airline age. Although not known by the term then, there had been a sort of “commuter” airline as far back as 1926 when, for example, the Florida Airways Corporation provided flights between Jacksonville and Atlanta, Colonial Air Lines between New York and Boston, and Ford Air Transport from Detroit to Cleveland.² These were not, however, commuter airlines in the present-day sense of the term. They were “feeder” routes for the post office. To a significant extent, all airlines before 1938 were mail—rather than passenger—carriers, providing a service that was largely subsidized by the post office. For instance, the Boston-New York route connected with one from New York to Cleveland. This, in turn, interconnected with Chicago, then on to San Francisco, thus creating a transcontinental system—courtesy of the post office. The postal basis for these feeders was even reflected in the name they were known by—CAM lines—an acronym for “contract air mail” routes.

In the years before World War II, airline routes were composed of segments, each some 50-200 miles in length. The aircraft that flew them carried, at most, 24 passengers and averaged, at best, 150 miles per hour.³ Flying low-density routes, the airlines of the 1920s and 1930s shared a number of similarities with our commuter airlines today.

Civil Aeronautics Act of 1938 Is Pivotal

The passage of the Civil Aeronautics Act in 1938 was pivotal in encouraging and developing a passenger orientation by the airlines, even though passenger services had only two years to evolve before further development was delayed by World War II.⁴

The Civil Aeronautics Act created the Civil Aeronautics Authori-

ty (CAA) to regulate the industry.⁵ The CAA was empowered to act “in the public interest, and in accordance with the public convenience and necessity.”⁶ Only the CAA itself could determine what constituted the “public convenience and necessity.” Nobody, however, could provide air transportation for public purposes without a “certificate of public convenience and necessity” dispensed by the CAA. Those airlines that were granted one became known as “certificated route, scheduled air carriers.”

Central to the act was a Congressional policy for the “encouragement and development of an air transportation system properly adapted to the present and future needs of the foreign and domestic commerce of the United States, of the Postal Service, and of the national defense.”⁷ In accordance with this policy directive, the CAA appeared to favor established air carriers in granting certificates of public convenience and necessity. One such established group was those airlines that had been furnishing reliable air mail service. Their route lengths tended to be much longer than the norm for the time.

To be a certificated route, scheduled air carrier meant that the airline provided timetable service between particular points—which very few carriers did back in those days. Airlines that had provided reliable air service in the months before the act took effect were granted a permanent “Certificate of Convenience and Necessity.” The 16 carriers that originally qualified and were grandfathered in to domestic routes were defined as “domestic trunk airlines” by the CAA.⁸ Even the largest carriers before World War II were operating what would be considered low-density routes with paltry mileages today (Table 1). For example, the New York to Los Angeles route garnered less than 30 through passengers a day in late 1939.⁹ “Thus it can readily be argued that the original trunk lines were the first commuter airlines.”¹⁰

Table 1
Route Mileage of Selected Certificated Airlines, 1938

American	6,826
Delta	1,091
Eastern	5,276
Northwest	2,507
TWA	5,749
United	5,321

Source: Brenner, Leet, and Schott, p. 5.

Although empowered by Congress to develop airline classifications, the CAA had no classification for “commuter” airlines. Instead, air carriers other than the original trunk airlines were known as “non-scheduled” carriers and mainly provided services such as maintenance, refueling, flying lessons, and limited, short haul, personal transportation for those who could afford it. These “non-skeds” live on in the movies of the 1930s and 1940s that celebrated their existence.¹¹

Commuter Airlines Develop from Air Taxis

Commuter airlines, as we know them, only began to emerge after World War II. They developed from the non-scheduled carriers, often via air taxis.

Based upon the original Civil Aeronautics Act, all air carriers providing specific personal and business transportation services were subject to the rules and regulations of the governing agency. This rule points out one of the weaknesses of regulation. To administer its fief, the CAB would, literally, have needed to supervise single engine airplanes, hopping around their communities on an irregular basis, perhaps with passengers, perhaps not. Sensibly, the CAB decided to create a new air carrier definition.

The original "certificated route, scheduled air carrier" trunk airlines had been defined under §401(a) of the Civil Aeronautics Act—and was known, naturally enough, as a Section 401 carrier. In 1944 the CAB introduced a new category of service, called "feeder airlines" to provide local service—short-haul, low density—for smaller communities. Three years later, in 1947, the category was revised and renamed "local service air carriers." These carriers soon became known as "air taxis" since they operated as common carriers, without a regular schedule. The line of demarcation between big air carriers covered by the full CAB regulations—§401(a)—and small ones, that were not, was defined by a weight limit at take-off of 12,500 pounds. It was not until 1969 that the CAB officially defined these small carriers as "commuter airlines."

In effect, because of the 12,500 pound weight restriction, commuter airlines were originally limited to carrying 19 passengers, with the 15-seat Beech-99 and the 19-seat DeHavilland Twin Otter being their aircraft of choice. As a result of Congressional hearings, the passenger capacity constraint was further liberalized in 1972 to allow commuter airlines to carry up to 30 passengers.¹²

Current Definition of Air Carriers

Since deregulation of the airline industry in 1978, the terms used to define American air carriers have been changed. Currently, the main categories are as follows:

- **Major carriers:** Today's major carriers are what used to be known as the trunk airlines, the largest ones, operating over most of the United States, with annual revenues of \$1 billion or more. Such airlines—American, Delta, Eastern, Northwest, Pan American, United, etc.—carry most of the nation's total revenue passenger-miles, operating between the major population centers in the country, particularly the high density corridors.

- **National carriers:** National carriers, which have annual revenues of \$75 million-\$1 billion, operate between less populated areas and major population centers, usually flying shorter hauls than the majors on smaller planes. Examples of these carriers are AirCal, Midway, and New York Air.

- **Regional carriers:** Regional air carriers fall into three classifications, each of which is based on size: large regionals, medium regionals, and small regionals. Each category has annual gross revenues of less than \$75 million.

Large regionals: This category of carrier has revenues of between \$10 and \$75 million. Typically, these carriers serve short-haul routes, flying a mixture of prop-jets and propeller aircraft, usually of an older variety. They serve smaller communities and also act as feeders to major airports. Examples of these carriers include Air Atlanta, Air Wisconsin, and America West.

Small regionals: These carriers were small providers of non-certificated but scheduled service. Once termed air taxis or Part-298 operators—because they flew under Part 298 of the CAB’s Economic Regulations and were exempt from the board’s regulations—the CAB later defined them as commuter airlines.¹³ Some of these have been successful in the period since deregulation and have grown into larger regional carriers.

Commuter/Regional Terms Cause Confusion

The confusion in the terminology “commuter airline” and “regional airline” was an offspring of the original Civil Aeronautics Authority’s definition of trunk airlines and the rapid growth of other forms of air transport following World War II.

The CAB found that its regulatory measures were not keeping pace with the industry, airplane technology, population growth, and consumer preferences. The CAB adapted to these changes in the environment in an *ad hoc* sort of way.

One of the on-going points of adaptation was with commuter aircraft, originally defined as aircraft that were no more than 12,500 pounds in maximum gross weight. Any falling below the so-called “twelve-five” rule were considered small ones, not subject to the certification requirements of the CAB.

The CAB amended its own rules and regulations to define these carriers as commuter airlines in 1969. Relaxations of the regulations have continued over the years. In 1972, commuter aircraft were allowed to carry 30 passengers and a payload of 7,500 pounds; after deregulation in 1978 this was increased to 60 passengers and 18,000 pounds of freight.

Another key change that came with deregulation was that commuter airlines could become “certificated route, scheduled air carriers” after receiving the CAB’s “certificate of public convenience and necessity.” Receipt of this certificate would make any commuter airline a Section 401 Carrier and a regional air carrier. These regionals were subjected to more stringent regulation, but were exempt from the old weight limits and permitted to fly any size aircraft.

Apparently, the commuter airlines may have felt that they would lose prestige and passengers in the upgrading of some of their fellow airlines. Consequently, the Commuter Airline Association of America changed its name to the Regional Airline Association in 1981.

Commuter Airlines Develop New Routes

With deregulation, major carriers moved to acquire additional, more profitable, long-haul routes. In adding these routes and developing their "hub-and-spoke" operations, the larger carriers rescheduled their aircraft, dropping many of their shorter-haul routes in the process. The commuter airlines seized upon the opportunity. With their smaller turbo-prop aircraft, they successfully entered many new markets that had been marginal for major carriers flying larger jets.¹⁴ As a result, commuters have evolved into an integral part of the airline industry; they serve over 500 U.S. airports, 305 (or over 50 percent) of which have no other air service.¹⁵ Even though, particularly in the first years of deregulation, their airplanes were usually older and less comfortable than those of the major airlines they replaced, they often provided more frequent and convenient schedules than their predecessors.¹⁶

Table 2 illustrates two different scenarios that developed after deregulation.¹⁷ In one case, United Airlines had been servicing the Cleveland-Ft. Wayne route with three nonstop flights a day in 1978. By 1984 United had abandoned the route, its service being replaced by a similar one provided by commuter airlines. On the more frequented Cleveland-Detroit route, however, trip frequency increased from 19 to 47 flights a day. Even though the larger carriers reduced their service by five flights, this decrease was more than offset by the commuter airlines which increased their service from six to 39 flights a day.

Table 3 illustrates how New York-Hartford flights increased in frequency and convenience in the 1978-1984 period. Noteworthy are the facts that, first, the number of flights increased by 79 percent, from 14 to 25 a day; second, the hiatus in service from 8 a.m.-4 p.m. in 1978 was filled with 11 new flights by 1984; third, the inconvenient concentration of flights at night—five of 13 were scheduled after 10 p.m.—was reduced from 38 percent to 8 percent by 1984.

Most importantly, perhaps, commuter airlines are now a basic element in the hub-and-spoke network that feeds the major carriers' routes. Commuter airlines have become so essential to funnelling outlying passengers to the majors that numerous code-sharing agreements have been reached.¹⁸ In these agreements, commuter airlines are identified in computerized reservation systems with the major carrier's flight code. An example is the Eastern Air Lines Express System. Eastern has developed exclusive agreements with Air Midwest in Kansas City; Atlantis Airlines in Atlanta; Bar Harbor Airlines in Boston, La Guardia, and Miami; Britt Airways in Philadelphia; Metro Airlines in Atlanta and San Juan; and Precision Airlines in Boston and New York. In the case of Bar Harbor Airlines in South Florida, passengers are fed into Miami from Tallahassee, Jacksonville, Gainesville, Orlando, Tampa, Sarasota, Fort Myers, Naples, and other cities in Florida and the Bahamas. Passengers are ticketed through from their feeder communities, catching other Eastern flights on to their final destinations.

Code-sharing agreements have a direct benefit on major airlines with computerized reservation systems—like Eastern's OneStop system, American's Sabre, and United's Apollo—because these favor online con-

Table 2
Examples of Varied Service Change of Illustrative
Cleveland Routes (1978 vs. 1984)

	Cleveland- Ft. Wayne	Cleveland- Detroit
December 1978 nonstops:		
Trunk/local service carriers	3	13
Commuter carriers	4	6
	-----	-----
Total	7	19
June 1984 nonstops:		
Trunk/local service carriers	-	8
Commuter carriers	3	39
	-----	-----
Total	3	47
Change in frequency:		
Trunk/local service carriers	- 3	- 5
Commuter carriers	+3	+33
	-----	-----
Total	NC	+28

Source: Brenner, Leet, and Schott, p. 101.

nections over interline ones. In addition, travel agents, who make more than 74 percent of industry reservations, feel more confident about booking travelers on major-name carriers than independents.¹⁹ So, at the same time that code-sharing feeds commuter passengers into the air carriers' hubs, they may be reducing the choices available to consumers. In addition, the major airlines' agreements with the commuter carriers are exclusive, thus adding competitive pressure on commuters without such agreements and potentially limiting future entry into the industry. Wheeler Airlines, a commuter airline operating out of Raleigh, North Carolina, sought Chapter 11 protection after it failed, among other things, to obtain a code-sharing agreement with Piedmont.²⁰

After the initial flurry of new airlines in the early years of deregulation, each attempting to become a significant regional or national carrier, the industry has gone through a shakeout period. Many airlines that expanded optimistically in the late 1970s and early 1980s have failed or been merged with other carriers. The skeleton of a national system is almost in place and is likely to be composed of half-a-dozen mega-carriers.²¹ Industry attention is now being focused on the regional and commuter airlines.²² These are being linked up—through code-sharing, joint ventures, or buyouts—with the majors at a frenetic pace.²³ In the past five years, there has been a 27 percent drop in commuter airlines.²⁴

Table 3
Departure Time Patterns of New York-Hartford
Nonstop Schedules (1978 vs. 1984)

Departure Period	Summer 1978	Summer 1984
6 - 6:59 a.m.	-	1
7 - 7:59 a.m.	2	1
8 - 8:59 a.m.	-	2
9 - 9:59 a.m.	-	-
10 - 10:59 a.m.	-	2
11 - 11:59 a.m.	-	1
12 - 12:59 p.m.	-	1
1 - 1:59 p.m.	-	1
2 - 2:59 p.m.	-	1
3 - 3:59 p.m.	-	3
4 - 4:59 p.m.	1	2
5 - 5:59 p.m.	1	2
6 - 6:59 p.m.	-	2
7 - 7:59 p.m.	1	-
8 - 8:59 p.m.	1	2
9 - 9:59 p.m.	3	2
10 p.m. and later	5	2
Total	14	25

Source: Brenner, Leet, and Schott, p. 101.

Within a few years, a loose oligopoly—from the local to the national, and even international, levels—is likely to dominate the whole industry.²⁵ Even though the commuter carriers are likely to grow at a rate of 8 percent in the 1990s, their days of independence will be largely over.²⁶

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- ³James F. Malloy, Jr., *The U.S. Commuter Airline Industry: Policy Alternatives*, (Lexington, MA: Lexington Books, 1985), p. 7.
- ⁴*Civil Aeronautics Act*, 52 Stat. 973, (1938).
- ⁵Two years later, the name of the Civil Aeronautics Authority was changed to the Civil Aeronautics Board (CAB) by Reorganization Plan No. 4, effective June 30, 1940.
- ⁶*Ibid.*, 2
- ⁷*Ibid.*, 2(a)
- ⁸The 16 airlines were American Airlines, Braniff Airways, Chicago and Southern Airlines, Continental Airlines, Delta Air Corporation, Eastern Air Lines, Inland Airlines, Mid-Continent Airlines, National Airlines, Northeast Airlines, Northwest Airlines, Pennsylvania-Central Airlines, Transcontinental and Western Air, United Airlines, Western Air Express, and Wilmington-Catalina Airlines.
- ⁹Molloy, *op. cit.*, p. 8.
- ¹⁰*Ibid.*
- ¹¹For further discussion see Kane and Vose, pp. 5-15 - 5-16; Alexander T. Wells, *Air Transportation: A Management Perspective*, (Belmont, CA: Wadsworth, 1984), pp. 176-77.
- ¹²United States Senate, Commerce Committee, Aviation Subcommittee, *Hearings on Local Air Service to Small Communities*, "Commuter Airlines: State of the Industry," by Thomas S. Miles (April 1972), pp. 10-12.
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- ¹⁴Melvin A. Brenner, James O. Leet, and Elihu Schott, *Airline Deregulation*, 1985), p. 100.
- ¹⁵Wells, *op. cit.*, p. 187.
- ¹⁶Commuter airline fleets have been revamped, with turbojet and jet aircraft largely replacing the turboprops (which, in turn, had replaced the Beechcrafts and formerly ubiquitous DC-3s).
- ¹⁷The discussion which follows is drawn from Brenner, Leet, and Schott, *op. cit.*, pp. 100-101.
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- ²¹The six largest carriers now control about 84 percent of the market, compared with 73 percent in 1978.
- ²²Walter Jurek, "Industry Focus - Airlines: Turmoil in the (Not So Friendly) Skies!" *Buyouts & Acquisitions*, (March/April 1987), pp. 24-28.
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- ²⁴Mark Ivey and Pete Engardio, "Commuter Airlines: The Days of Flying Solo are Over," *Business Week*, (August 11, 1980), p. 75, 78.
- ²⁵Minda Zetlin, "The Deregulated Airlines - Experiencing Turbulence," *Management Review*, (November 1986), pp. 36-43. Future concentration at the international level may be adumbrated by the code-sharing linkup purposed between United Airlines and British Airways.
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