The Air Net: The Case Against the World Aviation Cartel

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In its twenty five years of history, the International Air Transport Association (IATA) has rendered substantial service in the cause of international aviation. Its major achievement is that it has stabilized airline rate-structure all over the world. Yet, its rigidity and inflexibility of rate-making has brought forth criticism particularly at the threshold of great technological advances and the commencement of jumbo jets and the future plans of supersonic air transport.

The basic premise of Dr. Pillai is that there are limitations of national control over airline rate-making which is due to the international character of the airline industry. Further, the restrictions of some governments and the conservatism of some airlines are not conducive to attainment of a fair rate-structure which would conform to the overall interests of the international community. Moreover, the consumer interests are made subservient to the policies of military alliances and the potential interests of foreign policy. Consumer interests involve, according to the author, universal human rights and, even the national interests can be realized within the international interests, assuming of course, that aviation is a first rate utility service.

The main criticism by the author is directed against the policies pursued by IATA which are against the general consumer interests. IATA, as the author proves succinctly, keeps away from the interference of governments. The governments themselves are indifferent to the consumer interests because of their confidence in their airlines and IATA which represents them. As the author states, “Governments must be made conscious that airline interests and consumer interests are strange bedfellows.”

Thus IATA has no sound economic principles to recommend. Instead, it acts as a gang-leader making subtle use of the inter-governmental discord, and sometimes with threats of its own dissolution with subsequent adverse consequences. Inter-governmental discord is the sine qua non of IATA success, says the author. Unfortunately, no government can reprimand IATA because of its collective responsibility.

The author has made sharp criticism of the role of the European Civil Aviation Conference and the countries it represents who form a formidable group supporting IATA policies as against those who wish to pursue free competition for the interests of the consumer. Moreover, the unanimity rule of IATA and the principle of equality of opportunity, a principle of aviation economic law, do not hold sound reason in the advanced jet age.
The situation is still discouraging as represented by the attitude of govern-
ments in exercising rigid control over the frequency of flights.

The main problem that the small nations face is competition from air-
lines of advanced countries. Here, the author points out that small nations
consider aviation as a status symbol, as has always been the case. Never-
theless, the author states that it is becoming increasingly costly for small
countries to maintain modern jets. He suggests that these countries can
combine on a regional basis and work out aviation policies on a sound
economic basis. The African states, for example, seem to be doing well by
pooling their aviation efforts. Also, the small countries can increase their
aviation activities by operating non-scheduled airlines.

There is great merit in the author's hypothesis that when airline fares
can be reduced the volume of traffic will increase, thus making aviation
serve the general public. The author has demonstrated sufficiently that
even with the present control of fares by IATA, there are various ways
of evading fare structure. In fact, the recent rate war precipitated by
Alitalia by its unilateral reduction of fare in its flights between Rome and
London is a strong case in point which forced IATA to yield to the de-
mands of the consumers.

The author's suggestion that the International Civil Aviation Organiza-
tion should be asked to provide expert advice in formulating sound eco-
nomic principles for rate-making, deserves careful consideration so that
the monopoly of IATA can be subjected to examination. These principles
could be worked out, as the author says, by the nomination by ICAO of
representatives from the governments, from the airlines and from the gen-
eral consumers. Indeed, such an undertaking would be most rewarding at
the threshold of the jumbo jet age. And, as the author rightly warns, if
IATA continues its present policies, the consumers would force the issue
in the public interest. It is necessary to form a climate of public opinion
so that air travel all over the globe becomes within the reach of common
man.

Dr. Pillai has made an excellent case against the monopolistic behaviour
of IATA. He has justified his bold criticism with ample facts. This book
is worthy of consideration by the governments, airlines and the general
public.

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