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Aviation: US air lines crisis

Intereconomics

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ing to which a virtual collapse of mankind and its civilisation was unavoidable within a century, if unchecked growth would not be stopped immediately.

Now the Club had published its second report, arrived at by an American-German team of scientists, which offers a little more hope. They divided the world into ten regions defined by common features and problems. Then cross-referenced data on industry, agriculture, population and natural resources were fed into the computers. Regarding the energy crisis for instance the team concentrated on oil and explored the effects of different policy scenarios — the low price, the optimal price, the squeeze price, the retaliatory and the cooperation scenarios. Given the cooperation scenario the computers spat out a surprising conclusion — in the long run a considerable price increase of oil may help the economies of both producers and consumers.

Food, one of the other major world problems, is examined through five scenarios, ranging from the "tragic" — 500 million children starve by 2025 — to the "only feasible" solution — i.e. the developed nations tighten their belts, invest heavily in the poor countries' industries and import without limitations their export goods for enabling them to pay for food.

The opponents of such world models criticise them arguing that technical progress is not given sufficient consideration. So far, they say, the genius of mankind has always known how to manage even the worst crises. They often refer to Malthus, but since his days much has changed. Technical progress has become much more transparent and more precise forecasts are now possible. Besides, critical developments are now emerging at such an enormous speed that even an economic miracle, whose realisation requires quite a while, would hardly be in time. Therefore it would be highly desirable if those who decide on our fate would use the new instruments offered them in this report. According to "Mankind at the Turning Point", there is no other choice. hg.

Aviation

US Air Lines Crisis

Some aviation companies and especially the US air lines are facing a very precarious situation in the North Atlantic market. There are two reasons for their misfortunes — the rise of fuel prices and the emergence of huge surplus capacities. PanAm, now on the brink of disaster, was probably the one who set off the murderous competition when it ordered 25 Boeings 747 in 1966.

This was the starting signal for a world-wide run on jumbos. What followed was a scramble for larger shares of the market at fares which proved less and less adequate for covering the costs. The aim was to attract enough business for the excessive capacities which had been brought into being and, if this met with success, to generate new capacities. Meanwhile the old aircraft were sold off to charter companies which in turn entered the North Atlantic market with cut-rate services.

That these ruinous and chaotic excess capacities almost caused the market to collapse need not surprise. IATA Secretary General Hammerskjöld put the total loss of all operators on the North Atlantic route at about \$ 300 mn. Meanwhile however various efforts are under way to put the market back on its feet: the two big US companies — TWA and PanAm — are to emulate the British example and merge, and the Administration in Washington has ordered capacity cuts for the winter season and arrangements with other big aviation companies like Air France and Lufthansa.

Neither of these solutions is very satisfactory. Arrangements between different lines would strengthen the existing fares cartel by constraints on fares and scale of operations while experience shows mergers to entail large-scale staff redundancies without assuring success for the future as long as a generally new concept is lacking; for two invalids together may still not do the work of one healthy person. iwe.

France

Cold Spell

One can feel the nip of winter in the air: everybody is paying increased attention to energy requirements and supplies. So do the western industrialised countries, the EC, OECD and even France. And it is in France, which on the strength of its traditionally good relations with the Arab oil suppliers wanted to go its own way in covering its energy needs, that the barometer is pointing to gales. Despite all the courtesies observed in the French-Arab dialogue the outlook is bad for French oil supplies — as became clear at the end of September at the latest when the French Council of Ministers published its drastic energy economy programme.

France has been searching for a new energy strategy, and has found it in a policy of coordination with other oil victims. The adoption of a resolution on a new Community energy concept,