

Professors give opinions on airline problems

by Michael Piwonka
Battalion Reporter
Three Texas A&M professors agree that the answer to Continental Airlines' financial problems is to reduce labor costs, but their opinions differ on what caused the problems in the first place.

Economics professors Dr. Steven N. Reynolds and Dr. Morgan O. Reynolds and political science professor Dr. Robert A. Bernstein agree that Continental and other large airlines have not been able to compete suc-

cessfully with the smaller airlines that entered the market after former President Jimmy Carter signed the Airline Deregulation Act in 1978.

Faced with increasing losses — about \$65 million in the first six months of 1983 — Continental filed for reorganization under Chapter 11 of the federal bankruptcy laws on Sept. 24. The labor union contracts of the Houston-based carrier will be cancelled if the bankruptcy is allowed by a federal judge.

Wiggins says the financial problems among major airlines

are caused by reduced ticket prices resulting from the deregulation act and existing high labor costs.

So what will be the answer for the major carriers if they are to stay in business?

"In the long run, the wages (of airline employees) are going to fall some," Wiggins says. "The standard employee is going to get less. How much less we don't know yet."

If Continental can reorganize under Chapter 11, it will be paying its pilots \$43,000 a year instead of \$89,000. Flight atten-

dants will be paid \$22,250 instead of \$39,000. Those reductions in pay would save the company an estimated \$250 million a year.

Wiggins, who has studied the economic effects of government regulations, says the main reason behind the problems of the major airlines was inefficient management under regulation. Because regulation caused high ticket prices, the airlines offered more flights during the day to attract customers, he says.

The airlines ended up flying planes at 50 percent capacity,

Wiggins says. To cover the fixed costs of flying, the Civil Aeronautics Board kept raising the price of tickets during the days of regulation, he says.

The answer is to let competition decide who will stay in the market, Wiggins says.

"We're going to let the marketplace decide who is a viable airline company," Wiggins says. "And if you look at the well-run airlines — Delta, United, who have been two of the historically well-run airlines — they're doing fine."

Reynolds agrees with Wiggins

that costs are too high, but feels the effects of the labor unions must be overcome if the major airlines are to remain competitive.

"You've got to be as efficient as your non-union competitors if you're to survive in the long run," Reynolds, an expert in labor economics, says.

Bernstein, says the blame cannot be placed in one direction.

"It's a combination of things," Bernstein says. "The unions pushed for higher wages, but the companies were willing to give them higher wages because

they could pass that cost on to the consumers as long as things were regulated.

"The government was partially responsible because without them the whole system wouldn't have worked that way," Bernstein says.

Bernstein agrees that reducing labor costs will be a necessary means to recovery.

"I have trouble feeling too much sympathy for people whose salary may have to go down to \$45,000 to \$50,000 for 55 hours of flying a month," he says.

Texas hosts German dignitaries

Germany looks at Texas business

United Press International
DALLAS — The business relationship between Texas and West Germany is destined to grow, a high-ranking German official said after a Sunday lunch with 30 influential state businessmen and elected officials.

Berndt von Staden, State Secretary of the Federal Office of Germany, said the mutual business interests of Texas and his country are steadily increasing and

Carstens, von Staden, and other members of the German delegation met with Texas power brokers, including Governor Mark White; Ray Hunt, chairman of Hunt Oil Co.; Admiral Bobby Inman, former deputy director of the CIA and now head of the Austin-based MCC Corp.; and Ed Cox, chairman of Southern Methodist University.

Von Staden declined to provide details about specific business opportunities discussed at the private lunch. He did say Dallas was chosen as a stop for the German delegation's visit in part because the Dallas-Fort Worth International Airport is a "major stronghold" for Lufthansa German Airlines. Von Staden also said the 9 percent economic growth rate in Dallas is envied by Germany which has only about a 3 percent growth rate.

"What we have learned is that we do well when we stick together," von Staden said. "We do not do well when we don't."

He emphasized that Germany's battle with recession will be won only if the United States first overcomes its economic problems.

Von Staden, who served as German ambassador to the U.S. for six years, also repeated the pro-military theme and belief in a strong NATO alliance that President Carstens has urged in speeches throughout the U.S. this week.

While appearing at Fort Bliss Saturday, Carstens called for

strengthening military ties between the U.S. and West Germany to help protect European countries from the Soviet build-up of nuclear weapons.

Von Staden said that the ma-

jority of West Germans favor missile deployment and that less than 20 percent of the population is involved in the opposition peace movement.

"Neither you nor I love mis-

siles," von Staden said. "That is not the point." Instead, he said, it is important for NATO to be firm and maintain a strong negotiating position.

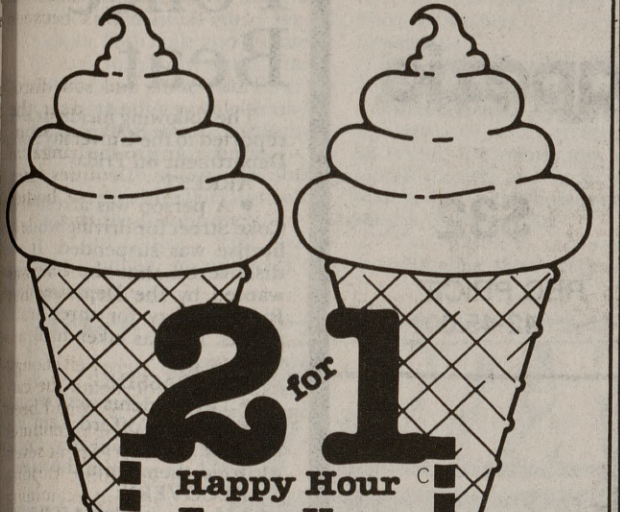
"What we have learned is that we do well when we stick together," Berndt von Staden said. "We do not do well when we don't."

added "we heavily depend on our development" for economic stability in Germany.

"We wish you well not only because we're your friends, but because it's of such great interest to us," von Staden said at a news conference.

Von Staden is accompanying West German President Karl Carstens on his 12-day tour of this country to commemorate 100 years of German immigration to America. Carstens stopped in El Paso and Dallas after visiting President Reagan in Washington, D.C.

Sweetlix...



2 for 1
Happy Hour Every Hour
Offer expires October 18th.
Bring this 2-for-1 coupon and a friend and test the taste of Sweetlix, the best frozen yogurt in town. Buy a cone or regular size cup for yourself and get one free for a friend. Lots of flavors... lots of fresh fruit toppings. In cups or homemade cones.
Sweetlix... the taste and texture of ice cream with only half the calories. Come test...

The Taste No Other Treat Can Lick



411 University Avenue
Next to The University Bookstore
HOURS: Monday thru Sunday 11 A.M. - 11 P.M.

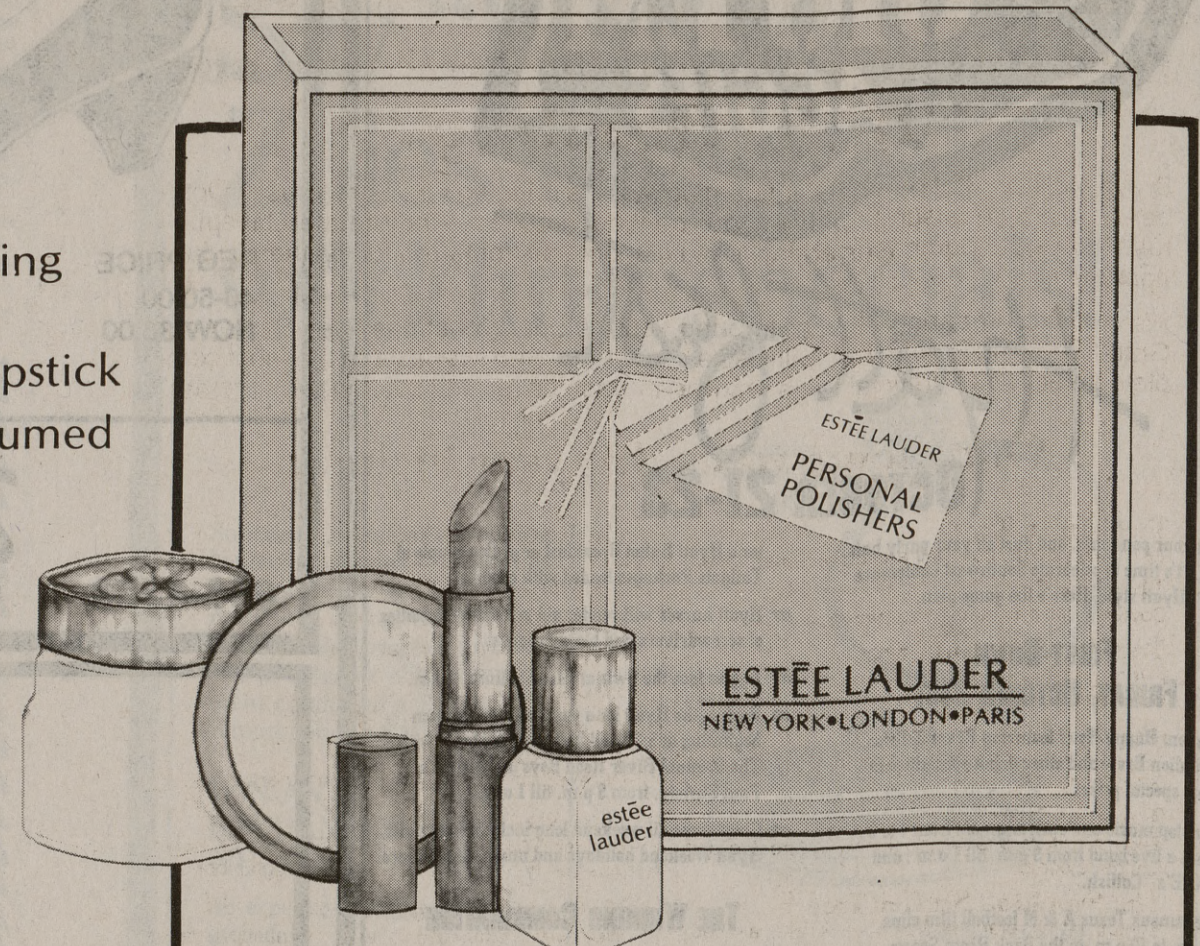
YOUR FREE GIFT FROM ESTÉE LAUDER:

Personal Polishers A 17.00 Value

Yours with any Estée Lauder purchase of 7.50 or more

A wonderful collection of richness just for you:

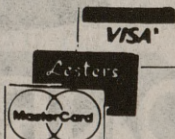
- Swiss Performing Extract
- RE-NUTRIV Lipstick
- Cinnabar Perfumed Body Creme
- Beauty Mirror



One to a customer. Offer good while supply lasts. Quantities limited.

All products made in U.S.A.

Lester's



2504 Kent at Villa Maria