

# Dereg brought down ValuJet Flight 592

by Richard Freeman

Recovery on May 26 of the cockpit voice recorder of ValuJet Flight 592, which crashed into the Florida Everglades on May 11, may prove useful in identifying the immediate mechanical cause of this flight's failure, which killed all 110 passengers and crew on board. Already it is suspected that some oxygen-producing canisters, stored on the plane in violation of safety standards, either ignited or intensified an on-board fire. But the real cause of the failure is the 1978 British-sponsored policy blunder that deregulated America's airlines.

ValuJet was founded in 1993. Its largest stockholder, the investment firm of Richard Gilder, is a darling of the Conservative Revolution crowd. Following the pattern that has prevailed since airline deregulation went into effect in 1978, under the Trilateral Commission's Jimmy Carter, ValuJet slashed costs by cutting many essential payments.

ValuJet purchased a fleet of used and aged DC-9 planes at \$2-5 million per plane, a fraction of what investment in a new plane would be. ValuJet's fleet of 51 aircraft has an average age of 26.4 years, more than double the fleet age of America's three largest airlines, American, Delta, and United. However, under deregulation, the average age of the entire U.S. airline fleet has risen dramatically, from 9 years in 1979, to 14 years in 1995, reflecting a sharp reduction in capital investment.

There is a question whether ValuJet's 27-year-old plane No. 904VJ should have been allowed to fly at all. In the past two years alone, the plane had 10 incidents in which it had to abort flights, return to base, or carry out emergency landings, because of on-board failures. Among the incidents:

- On Jan. 19, 1996, the plane returned to Atlanta, Georgia due to a lack of air conditioning and cabin pressure.
- On Christmas Day 1995, the plane returned to Dulles Airport in Washington when it would not pressurize. It landed 3,000 pounds overweight, and with a damaged door.
- In October 1995, the plane returned to Philadelphia, Pennsylvania when a warning light indicated the rear door might be ajar.
- In April 1995, it made an emergency landing in Memphis, Tennessee. After encountering turbulence on a flight from Atlanta to Dallas, Texas, the plane began to descend mysteriously, causing oxygen masks to deploy.

- In January 1995, the plane returned to Dulles Airport for repairs to a hydraulic pump.
- In the same month, it returned to Atlanta because of overheating of a speed drive, a unit that provides constant electrical output. The unit was replaced.
- In May 1994, the plane returned to Atlanta after an engine lost 10 quarts of oil because of a loose oil cap.

## A dubious airline

Aside from the plane itself, the company, because of its cost-cutting, has a dreadful record.

The overall average accident rate of the major airlines is 0.3 per 100,000 departures. ValuJet's rate is 4.23, a staggering 14 times higher than average. Yet ValuJet typifies the destruction of the U.S. airline grid in the post-1978 deregulation environment.

• ValuJet does not have its own staff of mechanics to maintain its aircraft. Instead, it hires STS Services of Nashville, Tennessee, a *temporary agency*, to make repairs and maintain its planes. Many of these temps are mechanics who were fired by other airlines during "downsizing," and must hire themselves out as consultants, at lower pay and health benefits. STS Services is not a work environment conducive to the level of maintenance and care needed for aircraft. This is a far cry from what used to be expended on aircraft before deregulation.

• ValuJet pays its pilots between \$25,000 and \$40,000 per year, much less than the industry standard, and the pilots must pay for their own training program. As a result, only the most inexperienced—or the oldest pilots—take the job.

## Effect of deregulation

The principal problem is the policy of deregulation. Offering it to the gullible as a panacea, British free marketeers pushed the 1978 deregulation of airlines as part of a package that also included the deregulation of trucking (1980), railroads (1980), and banking—just as Margaret Thatcher was doing to Britain itself.

Under the influence of people such as Frank Lorenzo, airlines were bought and sold like toys, with rounds of higher and higher leveraged buyout (LBO) debt heaped onto the airlines' backs. Asset-stripping immediately followed. The sole objective became, not service, but implementing downsizing and anti-labor policies, while transferring funds to pay interest-debt service on LBO debt, and holding up the value of inflated stock.

This environment led to ValuJet's creation. Richard Gilder's Wall Street investment firm, Gilder, Gagnon, Howe and Co., is ValuJet's largest stockholder, owning 8.2 million, or 15%, of its shares. Gilder is a financial angel of Speaker of the House Newt Gingrich—since 1987, pouring \$320,000 in contributions into Gingrich's political front group GOPAC, which wants to turn the American economy over to the asset-strippers.