THE NEXT CRASH

HOW SHORT-TERM PROFIT SEEKING TRUMPS AIRLINE SAFETY

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The Next Crash

In memory of my brother Pete, an inspiration
January 19, 1961–June 15, 2013

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Prologue: Falling

I remember how clear and blue the sky was as we climbed away from Chicago's O'Hare International Airport. I was a United pilot based in San Francisco flying my leg heading homeward. The crisp fall morning made me reminisce about Septembers from my New England childhood and anticipating the start of school. The captain reached over and tore off the paper message that spit out from the cockpit printer: "SECURITY BREACH. LAND ASAP. DON'T ALARM PASSENGERS." We weren't too surprised to receive the instructions. We had already heard several Delta airliners diverting. By the time it was our turn, air traffic controllers no longer sounded confused. Everyone was coming out of the sky. We assumed some late-running passenger must have skipped through the airport security checks and we'd be back flying shortly, once things got sorted out on the ground. We couldn't have been more wrong. The world was fragmenting.

I increased the range of my navigation screen and peered into the future, calculating our descent.

"Where would you like to land?" the captain asked.

"Looks like Omaha's best."

"Omaha it is then," he confirmed and set about communicating our request.

We landed, taxied to the gate, and parked, as ill informed about the developing events as we were when airborne. I opened the cockpit door and a passenger wandered up. He shared news headlines about some escalating crisis streaming across his pager. One story claimed an airliner had a navigation failure and had hit a skyscraper in New York.

"That's ridiculous," I thought. "What pilot would fly into a building on a morning so clear you could almost see the future from the flight deck at 35,000 feet?"

Nothing made sense.

The captain left the cockpit to investigate. I trailed behind slowly, only then realizing that our 298 passengers and eleven flight attendants had already quickly deplaned. Pausing in the vacant first-class cabin, I snapped my mobile phone open and speed-dialed home. My partner picked up on the first ring.

"Looks like I may be late landing," I said. "We've run into some security problem; don't know what's up. But, we should be back in the air soon."

"Don't you know what's happened?"

"Happened?"

"It's fallen!"

"Fallen—what's fallen?"

"Everything: the Twin Towers, New York, airplanes. People are jumping out of buildings!"

"What?"

"Are you all right?"

"Yes, yes."

"Thank God. Check the TV!"

I found a television in the ground crew lounge and joined a group of about fifty other aviation employees crammed into a room designed for about twenty. Pilots, flight attendants, mechanics, customer service reps, baggage handlers, dispatchers, and fuelers from a variety of companies—we were all in this together. The second building, the North Tower, of

New York's World Trade Center had just collapsed. The image played over and over on the television: first one tower, then the other, imploding in a heap of grey dust. One minute it was up, and the next it was down. Ashes to ashes, dust to dust. It was a beacon on the horizon, solid and steady, a place where people worked, dedicated their lives, provided a service, and shared an identity. And now it was hit and falling.

We were in that kind of nightmare place where something horrible is happening and you can't make it stop. Frightened yet fascinated, we kept watching. As if you'll be rewarded with clarity if you just stand watch long enough. We didn't know it then but we were watching the world change irreparably, right before our eyes.

This book, written more than a decade after that fateful day in September 2001, attempts to make sense of what happened next within America's airline industry. In particular, my aim is to reconceptualize the idea of risk and safety, drawing parallels between aviation and other risk management professions, particularly finance. The question motivating my analysis is simple: Has profit seeking been allowed to trump safety in the US commercial airline industry? If so, what are the repercussions for risk—should we expect another major airline crash sometime soon?

If this topic immediately makes you feel uneasy, that is good. Aviation safety is an area that should concern us all. Yet, for reasons discussed in the following chapters, safety has not often been the priority in aviation industry decision making. And perhaps most important for you or your family's next flight, air safety does not concern the right people—namely, airline executives, aviation industry regulators, politicians, watchdog groups, or even the flying public—in the right way often enough. I hope this book will help change that.

Almost two decades ago, light years in the evolution of the aviation industry, several excellent books provided a candid behind-the-scenes look at the long history of troubles within US aviation, noting various flaws within the airline industry.[1] Yet, these books became quickly outdated in the post-9/11 aviation business world, as bankruptcy, cost cutting, downsizing, merger, employee layoffs (called furloughs), and increased passenger fees with reduced customer service became the norm. Although none of these events are individually unusual in commercial aviation, the extent to which they have combined to leverage change during the past ten years has been unprecedented. However, few authors have tried to make sense of the impact of these drastic changes on airline employees and passenger safety until now.

During this same period social science researchers started examining the ways organizations evolved into what is now variously called the "new risk economy," "new capitalism," or "flexible capitalism."[2] The findings of these studies indicate that in many industries employers are providing less skill training, mentoring, job stability, community support, and career advancement while expecting more from employees in terms of experience, flexibility, and loyalty.[3] Some researchers have even claimed employment is now "dead" and that all workers today are essentially "self-employed."[4] Workers can no longer expect lifetime employment with one firm and must develop a variety of different skills—technical and psychological—to successfully negotiate the new risk economies' flexible market demands. In this book I look at the US airline industry as an addition to research on this "flexible economy" and find ample support for the new economy hypothesis that employers today are providing less while expecting more from America's workforce. However, my research also expands on this body of literature by evaluating the implications of new economy changes for workers in high-risk professions such as aviation, which have not been extensively examined.

Cutting across several business disciplines including corporate social responsibility, ethics, leadership, sustainability, and organization studies, I adopt a critical theory approach to question the wisdom of accepting the virtue of management as self-evident or unproblematic, and to challenge managers' single-minded pursuit of short-term profits above all else. Critical theory scholars have been criticized for a preoccupation with a cynical rhetoric over practical attempts to bring about real social change in the business world.[5] In this book I aim to bridge the gap between theory and practice by examining the airline worker-management relationship within the framework of the ethical responsibility of airlines, managers, government, and regulators to the wider community. This unique framework moves critical theory forward by providing a comprehensive analysis of *potentialities*, not just actualities, pushing critique beyond clever descriptions of existing airline management practices toward an exploration of what management could be.

Instead of seeing management failures as a result of poor behavior by individual managers, this socioanalytic approach draws our attention to how a particular system of government, business, and regulation can create opportunities for abuse. For instance, critical theory scholars have argued that as long as the market is the dominant mechanism for allocating resources, employee and community needs, interests, and knowledge will be subservient to it, further intensifying managers' focus on financial bottom lines and stockholder interests.[6] In this book I document the development of such dangerous dynamics in the US airline industry.

An economic war is occurring within the aviation industry in the post-9/11 period as managerial short-term profit seeking has been allowed to trump long-term safety concerns with little regulatory oversight. One way to redress this imbalance is to recognize the power of what Foucault called "subjugated knowledges," those bodies of knowledge that have been disqualified as inadequate, naïve, unqualified, low ranking, or unscientific.[7] By reconceptualizing the idea of risk and safety from the vantage point of the disenfranchised, I hope to shift the responsibility for safe flight operations away from employees—already stressed, fatigued, and working more while earning less—back to the airline industry, its regulators, and US society as a whole. As one pilot I interviewed succinctly noted, "The way the company puts pressure on the employees, it's just a matter of time [before there's an airline accident.] Something's got to give." Until the substance of these subjugated knowledges held by employees can be brought more into focus, questions about the escalating risks will remain in the shadows, and short-term profit seeking will continue to take precedence over safety in increasingly dangerous ways.

To examine this issue, I draw historical parallels with other industry crises. I show how airline executives' fixation on maximizing short-term profits at the expense of long-term safety—and government regulators' inability to stop them—has resulted in a period of arrogant optimism, willful blindness, and entitled insularity in commercial aviation, not unlike Wall Street in the years prior to the 2008 financial crisis. I show how industry risk management processes have not kept pace with the escalating risk in aviation, just as it didn't on Wall Street before the crash. And as several researchers warned about the looming US financial crisis, I identify similar hidden fractures in the aviation safety system as well. With no government intervention or regulatory supervision on the horizon, the only question left to ask is if Wall Street could crash, can't the airline industry crash too?

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The (Not So) Secret Secrets

Awareness about what is happening in the post–September 11, 2001, airline industry comes to each of us in different ways with varying intensity. One thing is certain: aviation in the United States changed forever after 9/11. Only now, over a decade later, is it becoming apparent how much. And I don't just mean increased security measures during the flight check-in process. The entire aviation industry has changed radically over the past decade with serious risk and safety implications, and certain sectors continue to hope no one will "alarm the passengers."

We know *what* happened on 9/11. And we also know about the economic instability of the aviation industry that followed. But what is less frequently discussed is *why* that instability really occurred and where the decisions made to address it are taking us now. Commercial airline executives want us to believe that the terrorist attacks caused the post-9/11 aviation industry downturn thus creating the current hypercompetitive environment. They use that logic to justify charging fees for everything from soft drinks and pillows to ticket changes and checked baggage.

It's a lucrative strategy. In 2011, the top airlines at the time (United, Delta, American, Southwest, US Airways, and Alaska) generated $3.4 billion in revenue from checked bags, up from $464 million in 2007, the year most airlines began the practice. These airlines also collected $2.4 billion from passenger penalty fees for rebooking nonrefundable reservations. Add in other incidentals and we find passengers paid an astonishing $12.4 billion in extra fees in 2011 alone—and this revenue is not taxed like traditional airfares.[1]

Yet, well before that crisp fall day in New York, informed insiders considered the aviation industry overdue for an adjustment. September 11 simply handed the already struggling airlines a popularly accepted excuse to downsize and adopt other changes executives had long wanted to implement. Major airlines used the event as an excuse to slash jobs, eliminating over two hundred thousand employees in the post-9/11 period, all the while eliciting sympathy and government support as one of the most visible images of America's struggle against terrorism. As of 2010, airline employees continued to give up more than $12 billion a year in wages, benefits, pensions, and other work rules, while over 10,000 pilot jobs had disappeared at major air carriers.[2] (Table 1 reflects total layoffs and hiring 2000–2012.)

Like a clever magic trick, industry leaders used 9/11 as a foil, distracting the public by blaming the airlines' financial slump on war, recession, terrorism, and travel scares such as SARS (severe acute respiratory syndrome), while pointing to rising fuel costs, greedy employees, aggressive labor groups, and frugal consumers' bargain shopping online to explain airline insolvencies. Meanwhile, US air carriers quietly pocketed over $2 *trillion* in revenue between 2000 and 2012,[3] and airline executives earned millions of dollars for themselves (fig. 1). Consider Jeffrey A. Smisek, president and CEO of United Continental Holdings, the company created after the United-Continental merger in 2010. Number 123 on the list of America's highest-paid CEOs, Smisek earned $13.3 million in compensation in 2011, falling just behind Wall Street executives such as Jamie Dimon of JP Morgan Chase, Lloyd C. Blankfein of Goldman Sachs, and Vikram S. Pandit of Citigroup.[4]

You might think that *staying out of bankruptcy* was the primary job of an airline executive. However, in an odd twist of the bankruptcy process, on exiting Chapter 11 airline management teams typically keep between

TABLE 1. Total number of pilots per US airline, 2000–2012*

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	% Change
United	11,278	9,968	7,992	7,688	6,374	6,133	6,277	6,338	6,350	5,581	5,515	5,490	9,899	–12
Northwest	5,981	6,103	5,534	5,112	4,942	4,995	4,531	4,340	4,345	3,426	0	0	0	–100
Delta	9,123	8,103	8,074	7,155	6,786	6,181	5,706	5,904	6,391	6,581	10,701	10,708	10,606	16
US Airways	5,330	4,649	3,743	3,147	2,967	2,599	3,132	4,278	4,234	4,073	3,967	4,003	4,035	–24
American	10,408	10,586	12,297	10,857	9,929	9,074	8,572	8,343	8,306	8,092	7,934	8,029	7,737	–26
Continental	4,656	4,571	4,209	3,852	3,943	4,184	4,408	4,598	4,578	4,227	4,199	4,139	0	–100
Southwest	3,316	3,725	3,966	4,022	4,197	4,535	4,845	5,317	5,588	5,626	5,564	5,676	8,866	167
JetBlue	75	236	371	591	809	1,059	1,451	1,707	1,794	1,795	1,828	2,021	2,183	2,811
Total	50,167	47,941	46,186	42,424	39,947	38,760	38,922	40,825	41,586	39,401	39,708	40,066	43,326	–14

Source: "P10-Annual Employee Statistics by Labor Category," Research and Innovative Technology Administration, US Bureau of Transportation Statistics, http://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/subject_areas/airline_information/number_of_employees/labor_category/index.html. Table created by the author.

* US Airways merged with America West in 2005; Delta acquired Northwest in 2008; United and Continental merged in 2010; Southwest acquired AirTran in 2011. Numbers reflect these changes.