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REMARKS PREPARED FOR DELIVERY BY SECRETARY OF TRANSPORTATION  
JOHN A. VOLPE, BEFORE THE UNION INTERAILLIEE FOR JOINT AMERICAN  
CLUB/AMERICAN CHAMBER OF COMMERCE, PARIS, FRANCE, June 5, 1969.

As President Nixon's official representative, I bring greetings to our French friends and to the Americans living in France. Just about two months ago President Nixon visited Paris and inagurated a new era in French-American relations. Although the Boss is a tough act to follow, I can at least assure you that I bring the spirit of friendship, candor and cooperation which prevailed in March.

It is a particular pleasure for me to be here today, for I consider this occasion to be a great opportunity for me and for the U.S. Department of Transportation.

We in the Department have many opportunities in the United States to explain what we are trying to do and what we think transportation should become. I think we need also to seize every opportunity to carry that message abroad. That is one of the reasons that the Department of Transportation is participating in the 1969 Paris Air Show along with several other U.S. Government agencies.

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The Air Show at Le Bourget gives us an opportunity to express our interest in aerospace exports from the United States. It gives us a chance to express our interest in international cooperation -- cooperation not only in the development of new vehicles and new technology, but also in the production of transportation equipment and in the elimination of outdated and artificial impediments to transportation.

I would like to make it clear from the outset that we in the United States Department of Transportation are fully aware that we have no monopoly on virtue in transportation matters. We cannot always sell transportation hardware to our neighbors without also buying from them. We cannot always second-guess other nations on transportation policy matters. We cannot always assume we are the most advanced of nations in developing transportation systems. The nations of Western Europe, especially, can teach us a great deal about new transportation techniques and technologies. In the Department of Transportation, we have begun to work with these nations in the mutual development of systems which can be translated into better transportation for all the people of our nations.

I had a glimpse of the Paris Air Show this morning after we landed at Le Bourget, and I will be going back later for a more detailed look. But it is obvious even without a double take that the American presentation at the Air Show should be a source of pride to all of us. The impressive space exhibit, the great variety of American aircraft on display, the advanced products which are being shown in the United States Pavilion -- together, these displays reflect credit on the United States and American aerospace industry.

Of course, we want everyone who goes to the Air Show to know that those American aircraft at Le Bourget and those aerospace products in the U.S. Pavilion bear the "made in USA" label. Again, though, we claim no monopolies-- neither of idea nor of hardware. What is perhaps most abundantly clear at the Air Show is that, in these times, transportation knows no national boundaries and no geographic boundaries. We span the oceans today with as much convenience as when we went from city to city a few years ago -- and in greater comfort. Transportation technology has placed within our reach a dream of the ages -- a dream of mass travel, of broad communications and people of many nations. le of many nations.

In our day, because of what transportation offers us, every businessman can be an international tradesman. Every manufacturer can be an exporter. Every person is a potential internationalist.

I would like to discuss briefly with you today three subjects which concern modern international transportation and which, I believe, involve some important questions which the United States and the U.S. transportation industry must face. The first of those subjects is international aircraft cooperation. ond is international air fares, the third is international cooperation.

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Exports and the balance of payments problem are primary concerns of the Treasury Department and the Department of Commerce, not of the Department of Transportation. However, I can speak for the entire United States Government when I say that aircraft and aerospace products are among our most important exports. Last year, aerospace exports from the United States totalled almost three billion dollars and accounted for about 10 percent of our total exports. Obviously, this is not something we can easily do without.

Aerospace exports also cannot be taken for granted. If we want to maintain our share of the world's aircraft and aerospace market, and if we want to penetrate new markets as the demands for aircraft increase, then we must continually reexamine all those governmental policies -- and all those corporate policies -- which affect international aerospace sales.

In the complex and highly competitive world aircraft market, merely building a better airplane is no longer sufficient. From the point of view of the airline shopping for a new airplane, the terms of financing can be just as important as the type of equipment the airline is purchasing. The fact is that certain other aircraft-manufacturing countries are offering far more attractive financing terms than our manufacturers are capable of offering today.

The United States Government is, of course, aware of these dynamics. We need to take a careful new look at the seven year limitation on the repayment of Export-Import Bank loans for aircraft sales. And we need to explore all available ideas for financing foreign sales. Recently the Department of Transportation supported a private effort, led by a group of banks, to expand available financing for foreign sales of U.S. aircraft.

A commercial airplane today is a complex piece of equipment. It is not the product of just one company, and seldom is it the product of just one country. The Boeing Company has told me that more than 1,600 subcontractors in 49 states of the United States and six foreign countries are involved in the 747 program.

The new so-called "airbuses" also are good examples. Lockheed's L-1011 and the McDonnell Douglas DC-10 won't be in production for many months. Yet Lockheed already lists twenty major corporate subcontractors for the L-1011, and McDonnell Douglas lists thirteen for the DC-10. Lockheed's decision last year to use Rolls Royce engines in the L-1011 startled and dismayed some Americans. But I believe we may see a great many similar decisions in the next several years. I believe we are reaching the time when some of those nations which are customers for U.S. aircraft will step up their demands that their own industries participate in the production of those aircraft. If we fail to recognize and appreciate the work-force problems of other industrialized nations, and if we fail to solicit their active participation in the manufacture of aircraft components, we may only help persuade those nations that they must erect artificial barriers to the purchase of U.S. aircraft.

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I'd like now to speak briefly about some artificial barriers of another sort -- barriers to transportation; more specifically, barriers to travel. In the United States Department of Transportation, we approach our work with the view that travel is a good thing. America today is a product not simply of tremendous resources and of the great western traditions of vitality and personal freedom. The United States owes its greatness in large part to its unity. In most things, we move as one. And a key element in that unity is transportation.

Because of our transportation systems, the United States is one marketplace. Goods move swiftly and efficiently to all the states. Therein lies much of our economic strength. And it is in large part because of our transportation systems that the American people are one people. They move freely from state to state, from region to region and from coast to coast; and because they do so, they know one another. The American highway has been the magic carpet of the American family. Airlines and the rail lines have given our people mobility and communications without which we could never have become the united people we are today.

Western Europeans also have achieved this sort of mobility. Travel between nations in Western Europe is remarkable. And the nations of Western Europe have been making great strides toward the free movement of goods which is vital to the commercial and economic progress the European people are demanding.

We in the Department of Transportation are excited about what is happening today in a great many areas of transportation, and especially in commercial air transportation. The "airbuses" and the "jumbo jet" aircraft, led by the 747, offer previously impossible efficiencies and economies to the world's airlines.

But there are problems -- not technical problems, but problems of management and problems of administration; problems which raise some provocative questions that must be answered. Basically, what is needed is a fare structure geared to the jet age. We believe the operating economies which will be made possible by the 747, the L-1011, the DC-10 should be passed on to the traveling public. Furthermore, it has always been our belief that fares should be reduced on a per-mile basis as distance increases. But the question is, how do we do these things? Where competition exists between airlines within a single nation, lower fares tend to follow swiftly on the heels of new operating economies. But where international air travel is concerned, the history of fare adjustments has left much to be desired.

Recently, IATA carriers joined to bring about a substantial decrease, beginning next November, in certain types of fares across the Atlantic. Without doubt, competition -- and even the threat of competition -- by the supplemental carriers is largely responsible for this change. Speaking of the supplemental air carriers, it seems certain that they have demonstrated a clear public need for their services. In the past they have accommodated a lower income market of people who would not otherwise be traveling abroad. And now, threatened with more widespread supplemental operations, the scheduled IATA carriers have been compelled to lower their group fares to a

competitive level. It appears, however, that the IATA reduction in the area of group fares, the so-called "mini-charters," is partially offset by an actual increase in normal fares effected this past May 1 through elimination of the round-trip discount. Perhaps when the most efficient aircraft ever produced are in service, it is to be expected that the supplementals will further broaden the market base.

We must also remember that some 60 percent of all transatlantic passengers do not benefit from the new group fares. Let us examine a couple of ways in which they are not served well by the current system. As an example, let's take a trip from New York to San Francisco, a distance of about 2,600 miles. The traveler from New York to San Francisco pays \$145 for his economy ticket, or 5.6¢ a mile. But if the same traveler brought the same kind of ticket for a flight from New York to Paris, he would say \$232, or 6.4¢ a mile. That's 13.6 percent more, per mile, for the longer flight. In the Pacific area, with its long staging distances, the lag between fares and operating economies is greater yet.

Another disparity stems from the European add-on fare system, which constructs fares from New York-London and New York-Lisbon legs. Because the add-on fare within Europe is higher than the transatlantic fare, the traveler finds himself paying more on a per-mile basis from New York to Paris or Rome than from New York to London. This is contrary to all economic principles.

Now I realize that there are factors, such as the 20 percent deviation rule and the IATA lowest common denominator practice, which militate against internationalization of the U.S. domestic fare system. But should we -- or can we -- adequately justify this kind of disparity? Should we not be working toward the principle that charges must bear a reasonable relationship to the cost of providing service?

As a matter of fact, greater operating economies attach to longer trips -- as between New York and Paris -- than to shorter trips as between New York and San Francisco. Somehow, we have gotten ourselves into a situation in which we demand more of the passenger's money simply because he is making an international journey. In a shrinking world -- in a world which needs the understanding and good will which results from mass international travel -- why should we tolerate a fare structure in which the traveler pays so much more to travel by air simply because he happens to be going from one nation to another?

The answer of course is not simple. In part, it is political. Where some nations and airlines are concerned, it involves national pride and prestige. It involves -- or is assumed to involve -- national economic and commercial interests. And in involves an international fare-setting mechanism which is cumbersome it which, at times, has been much too slow in responding to the operating economies which technology and commercial management have provided.

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Unless we can do something about these disparities -- unless we can devise new international agreements which will allow us to relate fares more rationally to actual costs -- unless we can do these things, I believe the international airlines of the world may be facing something of a fare crisis.

Look what the 747 could do to air fares. Boeing officials have said that this airplane may reduce seat-mile operating costs -- the cost of carrying one passenger one mile -- by more than 30 percent. And some airline officials have been talking about carrying passengers across the Atlantic on the 747 for less than \$100 a seat.

This isn't careless talk, either. But it is challenging talk. And the challenge lies today on the desks of those of us who are going to be asked more and more why we can't pass on to the traveling public the advantages that the airframe manufacturers have built into their airplane.

The logic of today -- the logic of the 747 -- demands that we search earnestly for ways to bring about fare adjustments when they are economically possible and when they are desirable, not after they have become sheer necessity.

The 747 is a large airplane. It is large in size, large in capacity and large in the comfort it will provide for travelers all over the world. And it asks many large questions about how we may better serve the international air traveler and how we should pursue the interests of all those nations which share the belief that mass international travel can be a powerful force for peace and good will and international economic progress.

Before I close, I want to use this opportunity to describe an effort we are making in the international cooperation area. Using the basic assumption that two persons buying the same one unit can share the cost of the unit more cheaply than if each buys his own, we are pressing for international collaboration in transportation research and development to eliminate the wasteful duplication, both in time and resources, of national parallel efforts. Our objective is to get a longer and better ride from transportation research funds through information and task sharing. It makes little sense for one country to spend research funds on projects which are planned, in progress or already completed by others. We think efforts should be coordinated so that all the participating parties can improve their transportation systems at a more rapid pace or at reduced budget cost. Apart from the improvement of transportation systems, we see in collaboration a way of making this world a little better place to live in.

We are seeking out bilateral and multilateral dialogues to discuss common interest in research and development and to assess the possibilities for mutually profitable research collaboration.

Our dialogue with the French, which is over two years old, has already produced an important collaborative effort. We have concluded three memoranda of understanding covering collaborative research with respect to fog

dispersal around airports, airport surface guidance and control and road traffic and highway safety. On the first two of these alone, we have been able to eliminate over one million dollars worth of duplicative research contracting. This dialogue is continuing and we hope to profit from our collaboration experience under the efforts already undertaken to expand our collaboration. Through the resource savings resulting from these arrangements, we and our French partners expect to be able to speed the solution of transportation problems which beset us on every hand. In short, we believe our research marriage with the French will be a good one.

We in the United States Department of Transportation stand ready to begin with the airlines and with other nations the tough job of trying to find satisfactory answers to the problems confronting us. An exciting new era of mass international travel is at hand. Exciting new hardware and concepts of transportation are either here or just around the corner. It is time we cleared a great many lesser interests out of the way so that the joys and benefits of air travel and all types of modern transportation can be brought within the reach of millions more people throughout the world.

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