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REMARKS BY U.S. SECRETARY OF TRANSPORTATION CLAUDE S. BRINEGAR TO THE NATIONAL ASSOCIATION OF STATE AVIATION OFFICIALS, KNOXVILLE, TENNESSEE, OCTOBER 2, 1973

It's a real pleasure to meet with an organization whose members both work closely with us in our day-to-day air activities and also share our interests in finding ways to improve our programs.

I hope this meeting serves to strengthen this fine relationship.

Anyone doubting the vigor of air transportation or of its potential for growth should have attended, as I did last month, the dedication of the extraordinary new Dallas-Fort Worth Regional Airport. Contained within an area about the size of Manhattan and twice the size of any jetport built before it, this new airport should serve as a model of efficiency and convenience for the air traveler and shipper.

Although the vastness and magnitude of the Dallas-Fort Worth project is impressive, I was equally impressed by the cooperative effort between Federal, State and regional governments that brought this huge undertaking into existence.

That fine joint effort reflects the type of Federal-local relationship that is the foundation of President Nixon's "New Federalism." Working within guidelines established by the Federal government and with Federal financial assistance, the various local governments provided the leadership and made the key decisions. This is as it should be, for it is local knowledge that can best determine ultimate local benefits. It is our strong intention to continue to push in this direction.

Today I'd like to, first, offer a few general comments on the future thrust of our Department's overall transportation policy. After that, I will comment on two matters of more current interest -- our Department's recently released Airport and Airway Cost Allocation Study and some implications of the rapidly emerging energy shortage.

During my early months in office I've many times been told: "This transportation problem wouldn't have happened if we only had a decent National Transportation Policy," or "If we only had a balanced transportation system we wouldn't be in this mess," or words to this effect.

I accept, in a general way, this criticism and I intend to work to see what can be done about it. In particular, I see room for improvement in bringing together conflicting Federal policies that are scattered here and there, as well as spelling out policies that are implicit in many Federal actions.

But I must offer these cautions: Whatever policy or policies that eventually come out will not silence such complaints. One person's definition of "balance" or "policy" can be 180 degrees from another's -- depending often upon his industry or constituent background. We expect to make progress in shaping policy -- basing our decisions on what we conceive of as the furthering of the National interest. But realistically, we also expect -- and welcome -- continuing debate over such policy. Clearly, there are no absolute answers and none should be expected.

In broad terms we find that the transportation issues before the Nation can be grouped into three major categories. The first is freight and passenger service between our urban centers; the second is freight and passenger service within our urban areas; and the third has to do with the issues of safety, the environment, and energy and how they relate to the first two.

The big inter-urban freight issue is the conflict between the need for the Nation to have a system that meets its requirements at the lowest possible overall resource cost, and a system that meets the regulators' and the courts' historic ideas of "public convenience and necessity." This conflict is increasingly producing unfortunate results, especially for the Nation's railroads.

A good (or perhaps bad) example of the regulatory problem can be seen in the data on the extent to which Federal regulations affect the various competitive modes: 100% of the rail and air ton-miles are regulated, but only 40% of trucking, and less than 10% of domestic water carriers. Generally speaking, the higher this percentage the bigger the industry's problems.

Intercity passenger service poses somewhat of a different question than does freight, although quite clearly the regulatory hand also is making itself felt in air carrier operations. The issue here is not only that of encouraging competition and low costs but also one of options and the sharing of costs. How many passenger options (such as car, bus, train and air) should there be between each city and who is to bear the costs of those modes -- such as rail passenger or the feeder airlines -- that are not economically supporting by themselves? And now we have a new issue: Should we forcibly encourage energy-efficient modes, such as intercity rail and bus, and discourage inefficient ones, such as air and private cars? These questions pose extremely complex public policy issues and have the potential to push the Federal government considerably further into our daily lives than we are used to.

The second major transportation issue concerns the intra-urban movement of freight and passengers -- the movement within our cities.

The National concern about intra-urban transportation -- which includes airport to city service -- is fairly recent and long overdue. Unfortunately, the result of this neglect is painfully obvious. We have concentrated for decades on projects for connecting our urban centers with highways and airways and on ways for making the centers ever bigger through easy financing and various other encouragements to urbanization. We have spent billions on getting people and goods from city to city. But moving around within our cities and suburbs? Quite clearly this question got lost somewhere in the shuffle. But with some two-thirds of the Nation's population now living in these urban centers, we can no longer avoid facing the issue.

Our third major transportation issue is to see that the important side effects of our transportation systems are properly recognized and dealt with. The three vital ones are safety -- some 60,000 people a year are killed in transportation accidents in this country, mostly in or by automobiles; the full range of environmental concerns; and energy availability and usage.

We are at work -- along with other Federal Departments -- on better policy and programs on all three. Time does not permit me to cover this effort, although I will have some special comments on the energy issue shortly.

Let's now shift the focus to some specific airport and airways issues.

The FAA's most recent air traffic projections indicate that some 700 new airports could be needed over the next decade. These projections, like all efforts to plan ahead, are, of course, subject to considerable change over time. The studies can serve many useful purposes, but they cannot be taken as gospel. But there is one aspect of this projection that I readily accept: By far the greater share will be constructed to serve the needs of general aviation and most will be planned and built under the leadership of State aviation officials, working closely with the citizens of the communities to be served. Clearly, the years immediately ahead hold out great challenge to you both in the positions you individually occupy and collectively through your membership in the National Association of State Aviation Officials.

The continued growth in air travel both requires new airport capacity and also adds to the cost of operating and maintaining the National system. It's a major concern of both the Administration and Congress that these costs be fairly allocated among the various users of the system and that equitable means be devised to recover the large majority of these costs. We are not now in a position of substantially approaching either of these desirable and attainable objectives.

As most of you probably are aware, on September 25th, we complied -- belatedly -- with a request of Congress that was included in the 1970 Airport and Airway Development Act by submitting Part I of our Airport and Airway Cost Allocation Study. While I believe that many of you are familiar with the main thrust of the report's conclusions, because they hold so much potential impact upon your areas of responsibility I think the main points deserve repeating.

First: We concluded that the airport and airway system's costs should be allocated in about these relationships: 50% to the air carriers; 30% to general aviation; and 20% to the public sector to support military and government flying. Several allocation procedures produced reasonably comparable results.

Second: We found that the tax structure that now supports the administration of the Airport and Airway Development and Revenue Act recovers from the non-public users only about 55 percent of total Federal costs -- compared with the 80% that we believe should be recovered.

Third: We concluded that while the aviation industry produces substantial public benefit to the Nation, we don't believe that it warrants long-term subsidy by the public -- anymore than does, say, the telephone or automotive industries. Producing public benefit does not automatically warrant public taxpayer support. We believe that at least a high percentage of the revenue shortfall should be recovered through a system of user charges. We recommend that these new charges should be phased-in gradually so as not to be disruptive to the existing industry structure.

Fourth: Since the tax revenue largely comes from ticket and shipper excise tax on the air carriers and from fuel taxes on general aviation, we believe that the tax structure is only indirectly related to system costs and provides little incentive to cause the users to more efficiently use the system. We recommend shifting the tax structure in the direction of user charges that more nearly reflect actual costs imposed by users on the system, thus providing stronger incentives for overall efficiency.

We are confident that the needed changes in the tax structure can be made without compromising our overriding objective of adequate system safety.

The financial and analytical data in our report clearly support these recommendations.

To illustrate: for Fiscal Year 1971 the Federal cost base for operating and maintaining the Airport and Airways System was \$1 billion, \$135 million. For the same period, taxes collected were about \$655 million, offsetting only 56% of system's cost.

For the same period, slightly over 53% of the total cost was attributable to air carrier operations, or in terms of dollars -- \$604 million. The excise taxes imposed on carrier operations produced \$586 million, resulting in a net deficit of about \$20 million.

For Fiscal 1971, we allocated 28% of system's cost to general aviation, or \$314 million of the cost base. Taxes collected from general aviation totalled only \$68 million, producing a deficit for that sector of nearly \$250 million.

In projecting our calculations through 1975, the annual deficit incurred by the air carrier sector grows from some \$20 million to nearly \$50 million, and the general aviation sector's from nearly \$250 million to in excess of \$400 million.

Although we believe taxation of the air carriers should be directed toward encouraging airline management to more efficiently use the system, nonetheless the present taxation -- mainly on passengers -- does come reasonably close to recovering costs allocated to the carriers.

But the gap between the costs allocated to general aviation and the tax revenues generated by it is large and growing. Two factors underlie this discouraging trend. First, general aviation is growing in absolute terms and its use of the Airport and Airway System is growing even more rapidly. To illustrate: Between 1971 and 1975 the rate of general aviation flights is expected to increase at the rate of about 11 percent per year. But, in the same period, the number of IFR (Instrument Flight Rules) flights is expected to grow by some 18 percent annually, while IFR flights for air carriers is expected to remain reasonably constant.

Second, because taxes are now only indirectly related to costs imposed by general aviation, the degree of cost recovery does not necessarily reflect the increasing use of general aviation of costly facilities.

Embracing a broad range of users -- from "homebuilts" to large turbine aircraft -- and engaged in a wide variety of activities, including leisure flying, agriculture, executive transportation and commuter transport, the components of general aviation differ widely in their uses of the system.

A fuel tax cannot treat all users equitably, and it doesn't. Why, for example, should a general aviation pilot flying "off the system" pay the same user charges as a general aviation pilot flying an identical aircraft on instruments in controlled and costly terminal air space?

We have set a target date of February 1974 to send to Congress Part II of our Airport and Airway Cost Allocation Study. In it we expect to recommend a revised aviation tax structure that will, in time, recover a higher percentage of the total system's cost and will more fairly collect the costs from the direct users of the system. Incidentally, I well recognize that some of our recommendations will stir up a few tempers. To those who see us as irresponsibly out to damage an important industry, I have one request: Please read our report carefully and with an open mind.

I accepted your invitation to appear today because I consider the National Association of State Aviation Officials to be a good forum in which to outline the dimensions of this cost problem and also to ask for your assistance in molding the shape of the changes that must soon take place. In many ways our groups have a strong community of interest in seeing that the airport and airways costs are shared equitably and that the users are encouraged to use the system efficiently, as well as safely.

I hope that today begins a dialogue between your offices and mine to produce constructive and reasonable change. It's my hope that our next report to Congress reflects the best thinking of all affected aviation groups, including yours.

I am encouraged to believe I can count on your constructive cooperation because, among other things, of the initiative and effort your Association has contributed to the current study on the possibility of transferring certain of the Federal aviation functions to the States.

Generally speaking, I believe we have over-concentrated power in Washington, and this may very well be true in the case of aviation. It is with my support and encouragement that this study is taking place. I consider it a distinct possibility that there may be a number of aviation programs where the need for interstate commercial uniformity and the desire for regional flexibility can both be met by greater cooperation between our levels of governments.

I hope your Association will continue to work closely with the Federal Aviation Administration until the study produces meaningful conclusions and recommendations.

Let me now focus for a few minutes on the changing energy situation and what it means for the entire transportation sector.

Although petroleum industry spokesmen, as well as a few others, have been raising red flags about future energy supplies for several years, only quite recently has the Nation itself begun to face up to a few sobering facts:

First, fossil fuels -- oil, gas, and coal -- are, in fact, a limited, non-renewable energy source. When viewed over the long-sweep of historical perspective, the fossil-fuel age will, in retrospect, have proven itself to be a fairly brief period in world history.

Second, crude oil -- the energy source that air transportation is built around -- is rapidly becoming one of the world's really scarce commodities. Our Nation has now moved into a substantial deficit position -- about one third of the total must now be imported -- and this position will almost certainly worsen as U.S. oil production continues its long-term decline. Unfortunately, the only region with a known capability to fill our growing oil needs is the Middle East. Thus, we obviously must be prepared for significantly higher oil prices and increasing difficulties in securing adequate oil supplies.

Third, because the United States has been blessed with low-cost energy for decades we have been lulled into complacency. We have built our life styles and our economy around this abundance. We must now recognize that changes are called for and move forward to accommodate ourselves to them. We should stop looking for the energy "conspiratorial culprit," for there is none, and stop seeking simple answers, for none exist. Energy is a complex, world-wide issue.

Fourth, the time has come for our Nation to urgently and cooperatively move forward with two obvious steps: increase domestic oil supplies -- through increased crude oil exploration and increased refinery capacity, and decrease unnecessary oil usage -- through stepped-up conservation. The former will require increased incentives to the private companies that are best able to carry out these programs, and the latter will require a public acceptance of the need for a new ethic -- the ethic of energy conservation. Although the main conservation burden will fall on our excessively heavy and inefficient automobiles, we must recognize that air transportation offers fuel savings opportunities also -- especially in cutting back on such wasteful airline practice as flying at less than 50% of load factor, stacked-up in holding patterns, and waiting in long lines for take-off clearance. Obviously, the airlines themselves cannot cure these problems. Joint-action, including changes in regulatory policies, will likely be necessary.

Finally, let me note that the issues I've outlined -- from cost allocations to energy conservation -- show clearly how important it is that we work together. We want and are trying to find the policies that best serve the National interest. The issues are complex and absolute answers non-existent. Yet, I'm confident that we can find reasonable approaches and, in time, make reasonable progress. This, in the final analysis, may be what the National Transportation Policy is all about.

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