



DEPARTMENT OF TRANSPORTATION

NEWS

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REMARKS BY SECRETARY OF TRANSPORTATION CLAUDE S. BRINEGAR TO
THE ANNUAL CONFERENCE OF AIRPORT OPERATORS COUNCIL INTERNATIONAL,
SAN DIEGO, CALIFORNIA, OCTOBER 8, 1974.

Good morning.

It's a great pleasure to be the keynote speaker at the
27th Annual Conference of the Airport Operators Council
International. On behalf of President Ford, I extend to all of
you the Administration's best wishes for a successful Conference.
I'd like to add a special welcome to those attending from other
countries. We well recognize that air transportation has played
a major role in improving relations between countries and peoples
of the world. We're delighted you're here and hopeful that your
stay will be productive and pleasant.

I willingly accepted the AOCI's invitation to speak
today because it afforded me both the opportunity to once

again visit one of my very favorite cities and the challenge to focus on aviation and its long-term relationship to the Nation's overall transportation system.

And this is quite a challenge. Faced with unprecedented worldwide inflation, with rising unemployment, with an overhanging threat of severe energy shortages, and with a potential crisis in the world's monetary system because of the enormous capital flows to a few Middle East oil countries--faced with these issues, how indeed do you make long-term plans of any kind? With difficulty, obviously. But also with care and caution, and, I hope, with common sense. Within that perspective, let's now focus on some specific aviation issues that are before me.

The national and international importance of our Nation's civil aviation system of 12,500 airports, nearly 150,000 airplanes, and an air space management system manned by 50,000 skilled men and women from the Federal Aviation Administration is well known to this group. Let's now concentrate our thoughts on this total system--and I stress that it must be viewed as a system--and consider some of the questions that are before us as we endeavor to make long-term plans for its future development and growth.

Question 1: Given the recent and continuing abrupt increases in all costs--costs which eventually must be absorbed by the users--what now are realistic growth trends for air passengers and air freight for the next 10 to 20 years? This has abruptly become the key question for planners of airports, air carriers, the air traffic control system, and air frame manufacturers. Frankly, I am very uneasy about our past forecasts and our present abilities to make dependable new forecasts. We're in a time of transition. Caution is clearly the word of the day.

Question 2. How efficiently is our existing system of airports, airplanes, and air traffic control equipment being used? Is it in fair balance? Where are the capacity bottlenecks? What, in a National cost-benefit sense, are the high priority opportunities to add to system capacity and productivity? What regulatory restraints are standing in the way of more efficient overall operations? Are the burdens and the benefits being borne equitably? At the President's recent Conference on Inflation and at the pre-summit conferences these and related questions were raised time and again.

Question 3. What about the present and prospective economic health of the various non-federal components of the

aviation system? Are there serious problems on hand or ahead--potential weak links in the chain--that could cause future system imbalances? I should stress that this question embraces not only the financial health of airport operators, from large to small, but also that of the air carriers, domestic and international, and the air frame manufacturers. Clearly, all, including the FAA's air space management capabilities, must fit together, or, in time, the system begins to falter. We are already aware of various problems in some of these elements--painfully aware, in a few cases--but we clearly need to know a great deal more about the extent of the non-federal financial problems, their consequences, and alternative ways to solve them.

Question 4. How do we properly and fairly handle such less direct but nevertheless important aviation issues as:

- (a) the adverse environmental impacts, especially aircraft noise, on communities that are near existing airports;
- (b) better land use and community planning, including better transportation intermodal cooperation, as we prepare for expansion of existing airports and the construction of new ones;
- (c) increased energy conservation as we face a future of diminishing supplies of liquid fuels; and
- (d) the avoidance

of unnecessary strains on our international relations as we strive to make sure that U.S. Flag air carriers get a fair shake elsewhere in the world.

As you can see, those four big questions, together with the host of sub-questions, pose quite an agenda. And, I suspect, many of you have additional questions that you would like to add to the list. Fortunately, a keynote speaker is not generally expected to answer the questions he raises, and I'm happy to observe that tradition. However, I can assure you that we have a major effort underway at the Department of Transportation in order to develop a better understanding of the needed answers. I would welcome the advice and counsel of the AOCI on these issues. I urge you to focus on them both from your special perspective as the operators of the Nation's major airports and also broadly from your vantage point as a key link in the overall system.

Let me now shift to three specific issues that I'm sure are high on your own priority lists of questions for the Secretary: Where do we stand on the extension of the Airport Development Aid Program (ADAP)? What are we going to do about the proposed retrofit noise reduction rule? And, finally, are we going to save Pan Am?

The Airport and Airway Development Act of 1970, which was triggered by the severe airport and airways congestion experienced at many large city airports in the late 1960's, authorized a long-range program for expansion and improvement of the Nation's airports and airways. This program was to be financed, in large part, by new taxes--mostly the 8% domestic air passenger ticket tax--on the users of the system. These taxes went into a new Airport and Airway Trust Fund.

Grants for airport development paid from this Fund have thusfar been supplied to nearly 2,000 projects, with the total now exceeding \$1 billion. The Trust Fund dollars have also speeded up the development and installation of a computerized air traffic control system and improved navigational equipment. Adding the estimated three-quarters of a billion dollars state and local sponsors have contributed to airport projects on a matching fund basis, as well as the millions communities and airlines have spent on terminals and passenger service improvements, the sum total represents an extraordinary investment in airways and airport facilities in a relatively short period of time. The outcome of all this effort has been to produce a National aviation system that is safer, less congested, and better able to meet passenger and cargo demands.

It has also, I suspect, raised some local problems of how to finance the operations of this multitude of new investments.

We plan to propose that Congress extend this program next year. During the next few weeks we will be looking carefully at our four years of experience to see what we have learned and what, with the passage of time, should properly be changed. Some of the specific issues that I believe must be focused upon include:

1. How can we improve the consultative process between the FAA and the communities?
2. Should the states have a larger role in the overall process, especially in intermodal planning?
3. Are changes needed in the allocation ratios?
4. Should the different economic positions of the large and small airports be further allowed for?
5. Should there be more flexibility in the use of grant funds? For example, should the

funds be used also for new site land banking, for acquisition of adjacent land to avoid future community noise problems, and for "land-side" investments?

6. Should we broaden the program to use it as a deliberate way to stimulate rural community development?
7. What part of the FAA's direct operations should properly be charged to the Trust Fund?
(The 1970 Act, I should note, recognized the legitimacy of such charges, although in a 1971 Amendment the right was withdrawn because of fears that the FAA's operations would take too big a share.)
8. Are changes needed in the mix of revenues going to the Trust Fund? For example, while the 8% domestic ticket tax goes up in proportion to inflation-related fare increases, the \$3 international enplanement tax does not. Perhaps the \$3 fee is now too low. Also,

should some form of Federal direct user fees be added at those airports where there are substantial FAA investments and operating costs?

This last point--the possibility of a Federal user fee--is worth a special comment. The 1970 Act directed the Secretary to carry out an aviation cost allocation study in order to:

"... make available to the Congress information on the basis of which it may determine what revisions, if any, of the taxes imposed by the United States should be made in order to assure, insofar as practicable, an equitable distribution of the tax burden among the various classes of persons using the airports and airways of the United States or otherwise driving benefits from such airports and airways."

As many of you know, in carrying out that directive I've found myself in considerable hot water with some of the aviation community--especially general aviation, the group that we concluded wasn't paying its fair share of the system costs.

I'd like to use this occasion to make three observations on this issue: first, we have not recommended any action that would harm the growth and vitality of general aviation; second, I'm convinced that in the long-run the incentives that flow from paying for services received--including an outside incentive on the FAA to keep its costs down--will prove beneficial both to general aviation and to the FAA; and, third, before you criticize what we're recommending please study our detailed report and the reasons for the recommendations.

In addition to program structure, we will also, of course, soon have to focus on ADAP funding levels beyond this fiscal year. Until we finish the analyses described above, I cannot tell you what we will recommend. I well recognize your pressing needs for additional funds--especially because of the ravages of inflation on your construction budgets. As you can understand, the highway, rail, waterway, and mass transit modes are all struggling with similar problems. I ask that you recognize the urgency of the present National effort to hold down spending as much as possible. Unless we get inflation under control the future consequences on all our

programs will be far more serious than those we face today. President Ford needs the support of all of us in this vital effort.

This brings me to question number two: Where do we stand on the proposed retrofit rule to bring all aircraft in the commercial fleet within the boundaries of what is called "Federal Aviation Regulation--Part 36"?

This Notice of Proposed Rule Making has brought about a great deal of comment, and we are continuing to collect, sift and evaluate the responses. Because of the aircraft modification costs involved--an enormous burden for an industry that is not financially strong today--as well as the international compliances that would be required, I'm sure you can appreciate why we intend to study all aspects of this important issue very carefully before recommending a final course of action.

In the meantime, the FAA is continuing to explore the merits and safety implications of various operational procedures in an effort to find ways to confine as much jet noise as possible to the airport itself.

Let me assure you that the Department is vigorously pursuing these and other possible solutions, for I know what a serious problem noise is to all of you. Although new aircraft and proper land-use plans will solve the problem eventually,

I think we all realize that short-term solutions are not easy to develop or to implement. As a personal aside, I should note that I say this from the perspective of one who lives under the main air corridor into Washington's National Airport. Needless to say, I strongly support National's late night curfew.

This brings me to question number three: Are we going to save Pan Am? My quick answer: I certainly hope so, but not at the taxpayers' expense.

America's air carriers--especially Pan Am--were the pioneers in the development of world-wide air travel. Two decades ago, when there was a minimum of foreign competition, the CAB even went so far as to authorize head-to-head competition between U.S. carriers serving the larger foreign markets. This pioneering brought us many National benefits.

But other nations, as they developed economically and reached for international recognition, have increasingly demanded--and obtained--the rights to share these benefits with us. Since virtually all foreign air carriers are owned outright by the countries of origin, it's not surprising that the U.S. carriers are finding today's competitive battle an increasingly difficult one. Pan Am, the only U.S. carrier

without the benefit of domestic routes, has lost nearly \$200 million in the last five years. These losses, coupled with the sudden added burden of a tripling of foreign fuel prices since last fall, have combined to push Pan Am close to the financial wall.

Pan Am's request for an emergency interim direct cash subsidy of \$10 million a month was turned down last week by the CAB. President Ford, after a full review of the situation, also concluded that the Administration could not now support such a request. The two main reasons for this conclusion are: (1) In these times of double-digit inflation and over-blown Federal budgets it is not now fair to the Nation's taxpayers to ask them to pay direct cash subsidies to international air carriers, and (2) direct cash subsidies are not likely to lead to a real solution of the underlying problems.

To get at these underlying problems the President directed that an all-out effort be undertaken to correct the competitive environment in which our international carriers now must operate. We have identified the following 7-point action program and are now pushing hard to carry it out:

1. Fares More in Line with Costs. Fare structures that more closely reflect today's costs should be promptly

approved by the appropriate organizations. This includes fares both of the scheduled carriers and the charter carriers. Although no one wants to see travel fares go higher, realistically we must recognize that as costs go up the carriers must recover these costs in higher ticket prices.

2. Excess Capacity. Without question the many air carriers, including U.S. Flag carriers, that have rights to fly international routes to and from the U.S., are flying excessive passenger capacity relative to today's demands. Recent agreements between U.S. carriers and the Italian and the British carriers for winter capacity reductions are an encouraging step, and we are looking for prompt agreements with the airlines of France and West Germany. In addition, the State Department has an intensive review underway, working with our Department and the CAB, to determine which of the foreign carriers are flying capacity to the U.S. that exceeds the rights provided by their bilateral agreements.

3. Tariff Integrity. Together with the CAB and Department of Justice, we are pushing ahead on a program to eliminate, or at least reduce, illegal ticket discounting. As part of this program we are also investigating the roles

of the travel agents and tour operators to determine if some form of Federal licensing is needed.

4. Fly U.S. Flag. While U.S. citizens constitute over 60% of those flying overseas to and from the U.S., our flag carriers carry a far smaller share. An equitable balancing of these ratios would add some \$200 million a year in new revenues to U.S. Flag carriers. Together with the Department of Commerce, and, hopefully, with the cooperation of the Nation's travel agents, we will push a "fly U.S. Flag" program to encourage U.S. citizens to increase their use of U.S. Flag airlines when they travel and ship abroad.

5. Mail Rate Increases. We are encouraging the CAB to accelerate their actions to adjust international mail rates to reflect today's higher costs. (I can report that last Friday the CAB authorized an interim increase, pending further cost studies.)

6. Overseas Discrimination. There are many instances where U.S. Flag carriers are being discriminated against overseas in terms of excessive landing and other fees. Together with the State Department and the CAB, we are in the process of documenting the flagrant cases. We will seek immediate corrective action.

7. Route Restructuring and Service Suspensions on

Loss Operations. We are strongly urging the carriers themselves to consider agreements on overseas route rearrangements, and possibly even mergers, as well as unilateral actions to suspend service to points that have inadequate traffic potential to cover costs. We may well have reached the point where most of the head-to-head competition between U.S. carriers flying to overseas locations can no longer be justified. I have urged the carriers to come forward with ideas along these lines, and assured them that the Administration will do what it can to see that meritorious proposals receive prompt approval.

We believe that the combined impact of these seven steps--steps that, in many ways, are long overdue--will, in time, do a great deal to improve the financial health of all our international flag carriers, including Pan Am. In particular, we believe that these actions should provide assurances to the private-sector financial institutions that our international flag carriers do have a fine future, and that they deserve their continued financial support.

I would conclude by observing that I well recognize that in my comments I have raised far more questions than I

have answered. I suspect that having more questions than answers is normal for an industry as dynamic as aviation.

Our National perspective on airports has changed significantly in the past 20 years. The airport has moved to the forefront as the community's center of intercity passenger travel, replacing the train and bus stations. It has been at the forefront of many a zoning and land use battle, thus forcing us (belatedly, in many cases) to focus on total community development and intermodal transportation planning. And, of course, it has been at the center of the battle to reduce aircraft noise. These changes have been-- and, to many, remain--painful. But they have also forced us to broaden our perspectives and our plans, which is to the good.

The airport is, of course, an essential place to land airplanes. But with your help it can be more than that. It can be an efficient part of our National air system; it can be a magnet in shaping planned community growth; it can be a link in a smoothly working interconnecting transportation system; and it can be a good neighbor to those who live and work near it.

I pledge the support of the Department of Transportation
to help you meet these broadened responsibilities.

Thank you for this opportunity to be with you today.

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