

# U. S. Department of Transportation news



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REMARKS PREPARED FOR DELIVERY BY  
U.S. SECRETARY OF TRANSPORTATION DREW LEWIS  
TO THE WINGS CLUB  
NEW YORK CITY  
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I am pleased to have this opportunity to meet with members of the Wings Club during National Transportation Week. The aviation industry has contributed much to the economic growth and development of our nation. Through good times and bad, the industry's reputation for pioneering leadership, superior products and technical initiative has never faltered. We have good reason to be proud of America's aerospace industry.

We also have cause to be concerned; first, because U.S. airline passenger traffic fell nearly five percent last year and the entire industry was buffeted by higher fuel and other operational costs, inflation and an uncertain economy. Secondly, we are challenged to keep pace with the technological developments the growth in air traffic demands. And, third, we value the pre-eminence of our aerospace manufacturers and the world market for U.S. aircraft.

All of these concerns are addressed in President Reagan's economic recovery program and in the Administration's aviation policies.

By overwhelming votes, both the House and the Senate have approved President Reagan's 1982 budget, reflecting both the public demand for spending cuts and — as the President said — "a bipartisan spirit we can build upon" for total economic recovery. The next step is the President's tax program, which, through more liberal depreciation rules, will save U.S. companies billions of dollars over the next five years.

The broad Congressional support for President Reagan's budget came, I believe, as a result of the fair and even-handed way the spending reductions were proposed. Except for the five percent increase in defense spending -- long overdue -- spending has been cut in every Department, with reductions spread over the full range of government programs.

I am particularly pleased to be here as this is the first occasion I have had to talk about aviation policy. There are five areas I want to touch upon briefly, each within the context of the President's budget and tax initiatives.

First, I think it is worth noting that to assure no compromise with air safety, the Federal Aviation Administration's budget for 1982 will be slightly larger than it is this year.

At \$3.4 billion, the FAA budget is less than the prior Administration had requested, showing some reductions in operational expenses, but no reductions in air traffic controller staffing. Our funding levels for facilities and equipment, and for research and development, permit work to continue on several technical programs, including the first implementation of the new microwave landing system and a back-up to the computerized radar system. We are projecting additional expenditures of up to \$10 billion over the next 10 years to upgrade the air traffic control system.

Second, in keeping with the President's policy to achieve a more equitable system of transportation user charges, we are assessing the present airport/airways fee schedule to see, first, what level of costs should reasonably be recovered; and, second, how those costs should be allocated.

In evaluating system use, two conclusions emerge: one, after allowing for defense and other government requirements, 85 percent of the costs of the FAA system can be attributed to commercial and general aviation users; and, two, general aviation has paid, and continues to pay, only a small percentage of the costs of the system in relation to the benefits received.

Therefore, we are proposing to increase the airline ticket tax moderately -- from the current five percent to six-and-a-half percent -- and to set general aviation fees that will come closer to representing a fair proportion of its costs. Under our proposal the tax for general aviation gasoline will be lower than the tax for general aviation jet fuel, reflecting the differences in the extent to which those two classes of users make demands upon the system.

I must admit that this proposal has generated some opposition, but as one involved in general aviation I cannot justify not having the corporate and private jets pay their own way when we are asking, for example, for reductions in public spending for mass transit assistance. The current surplus in the trust fund, while it appears large, will in fact decline over the next few years, even with our fee proposals. And it is not a "slush" fund; it is an important part of our investment in the future.

Third, we feel it is time to redirect Federal airport policy. The Airport Development Aid Program (ADAP) began in 1970 to assure us an adequate system of airports to accommodate the growth in air traffic, and we are committed to its continuation.

b. The program, however, has been successful to the point where our major airports now have the means to finance their own development. They have, in fact, become multi-million dollar businesses operating at a net profit and with A-plus bond ratings. For the 40 or so largest U.S. airports, Federal grants now constitute only 10 to 15 percent of their total revenues -- a sum that, if needed, could be generated by the passengers using those airports.

We are proposing, therefore, to phase-out Federal grants for the largest airports -- 21 this year and another 20 by the end of 1982. At the same time we will reprogram our grant program to assist the states in meeting the needs of their small and medium airports, including reliever airports.

Fourth, we are proceeding with the steps necessary for the assumption by DOT of certain functions now performed by the Civil Aeronautics Board. There is generally broad agreement on an accelerated date for the sunset of the CAB, as stipulated under deregulation, although there is some disagreement over the actual date. In the legislative package sent to the Hill last week, the CAB recommended a sunset date no earlier than January 1, 1983 and no later than October 1, 1983. We have proposed, on the other hand, October 1, 1982 as a reasonable, sensible and practical date. I believe the industry and the public will be well served by moving as rapidly as possible to a completely unregulated environment for commercial aviation -- or at least as close to that environment as we can get.

The CAB sunset is essentially a three-phase operation: to set an acceptable date; to put together a legislative package outlining those CAB functions to be repealed or transferred; and, to determine where the functions to be retained will be assigned and how they will be carried out.

We favor keeping the transfer of functions simple, and not to attempt further reforms at this time. We are prepared to assume and administer CAB's antitrust powers, carrier agreements, data collection and essential service level determinations.

Some issues left unresolved by airline deregulation must still be addressed, but rather than deal with them now, we would prefer to proceed with an early sunset and then engage in the open debate with those concerned over how the various functions are implemented.

Fifth, I want to say just a word about international aviation policy.

As you know, the Administration has been asked by five U.S. carriers to review current international aviation policy and its implementation, for the purpose of addressing allegations that agreements have been negotiated in the past that do not adequately address the competitive position of U.S. carriers versus the position of foreign flag carriers. We have also been asked for a moratorium on all

international route awards and bilateral negotiations, until such a review has been completed.

Let me say that we intend to give all the U.S. airlines engaged in international operations a full hearing on the issues. There appears to be concern on the part of some carriers that we will act without a full hearing -- which, I assure you, we will not. We plan to fully explore the situation both through discussions with the affected parties, and through analysis of the existing competitive position in international markets.

We do not believe that a moratorium would be the wisest course of action to take at this time. The issue, as I see it, is not with the basic goals outlined in the laws now on the books, but with the interpretation and implementation of those agreements. I believe it is advisable to work within the negotiating mechanism as the best means of resolving any inequities in the treatment of our carriers. If disagreements can't be settled between the carrier and the foreign government involved, then the issues will become fair game for government-to-government deliberations, and we will not hesitate to take that step. In addition, we cannot deny foreign partners the right to seek any redress they see in the agreements.

Our concern is for free trade and also for fair trade. We will proceed with bilateral negotiations and will undertake during those negotiations to assure that U.S. flag carriers are in the strongest competitive position possible with respect to their foreign counterparts.

Finally, as I indicated earlier, even more important than all the issues I have discussed, a healthy economy is vital if we are to sustain our aerospace leadership.

Over the next 10 years half of the U.S. jet transports now in use may be retired. In shopping for new equipment, the airlines will buy the most efficient planes they can get, at the best price. To meet those terms we must have manufacturers who can compete with the European producers, and for that we must have a healthy industry working in a growing and productive economy.

Productivity has been on the decline in our country in recent years, due largely to the lack of adequate capital formation. That in turn has meant less investment in the modernization of plant and equipment. During the seventies, the proportion of the GNP devoted to the replacement and expansion of capital facilities averaged about 18 percent in the United States, compared to 33 percent in Japan and 23 percent in Germany, leading to rates of productivity in those countries more than double the rates in the United States.

That's further reason why we need President Reagan's economic recovery program, with its prescription for less Federal spending, greater depreciation allowances for industry, and reduced Federal regulation. These long-needed changes will not occur overnight, but unless we pursue them they will not occur at all.

The key to the success of the President's program depends on support for the total package -- as the Senate has done in voting for budget cuts that will

accommodate the proposed tax cuts. The results will follow. By spending less, government will borrow less -- easing the strain on the nation's money markets. By reducing corporate tax liabilities, companies will have more funds to invest. By getting the budget under control and easing the tax burden, inflation will be slowed and interest rates should soften. Perhaps most important, President Reagan's faith in private enterprise means a new emphasis on self-reliance over government regulation, and new incentive for U.S. businesses to work, to produce and to prevail in a competitive market.

The President's program, in my judgment, is essential to the assurance of a healthy, productive economy. It will allow business and industry to apply more capital to modernization and to engage in more research and development. The increase in depreciation allowances will leave U.S. companies \$10 billion more for investment purposes in 1982 alone than they could otherwise expect to have. And that represents the kind of capital resources the American aerospace industry needs to maintain world leadership in the face of growing competition.

The President's program, I believe, recaptures the vision of a proud, confident America. It encourages us to look forward, never backward, and to seek new horizons -- to scale new heights, to dream again "heroic dreams."

As for our aerospace leadership, it has not come easily to the United States. It is leadership we have earned, through the hard work and devotion of the people who have built this industry. We must work just as hard now to protect and preserve it. I know that the members of the Wings Club are dedicated to that purpose.

Thank you.

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