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Contact: Linda Gosden
Dick Schoenfeld
Phone : (202) 426-4570

Remarks prepared for delivery by
U.S. Secretary of Transportation Drew Lewis
To the Commuter Airline Association of America
New Orleans, Louisiana
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I wanted to come here to speak to you today for two reasons -- to express my gratitude for your understanding and support during the PATCO strike; and to consider together what we can do to further improve the vital service you provide for the traveling public.

The last three months have not been easy for any of us in aviation. We felt reasonably sure last June, after seven months of negotiations, that we had an agreement with the Professional Air Traffic Controllers Organization. Bob Poli (PATCO president) and I shook hands on a \$40 million package that he agreed was fair and reasonable; one that he said he felt his members would accept.

Then he and other PATCO leaders spent most of July traveling around the country urging their members to reject the contract. As a result they came back asking for 17 times more in benefits -- a 681 million dollar package; amounting to \$40,000 per controller. Mr. Poli also set a 72-hour strike ultimatum, and -- when our further efforts to sit down and work out a new agreement or get an extension failed -- some 12,000 PATCO members walked off their jobs.

It seemed pretty clear that the union had assumed the air transportation system would collapse. It did not. With your support and the support of the other airlines, the airline pilots, the public and the loyal employees within the FAA, we have kept the system intact. We have kept it functioning. And together we have kept it safe.

When Mr. Poli and I parted company about three o'clock the morning of August 3rd, I said: "Bob, you're making a serious mistake." He may have doubted the President's resolve, but I did not. A strike against the government is a strike against the American people, and the law in this case is very specific. Ours is a democracy built on principles. We cannot permit people or organizations to pick and choose the laws they will obey. President Reagan felt very deeply about this issue, as we all did. The outcome, in my view, was never in doubt. The controllers simply had demanded more than reason or economic circumstances would permit, and in electing to strike in support of their demands they violated the law and -- in effect -- forfeited their jobs. The Federal Labor Relations Authority confirmed the illegality of the strike in their decision two weeks ago decertifying PATCO.

We are now in the process of rebuilding the system. As of the first of the month we had received more than 125,000 job applications. We have 900 candidates now in our controller training facility, and will graduate the first class under our expanded program in mid-December. In the meantime we are continuing to operate the system with 3,000 controller-qualified supervisors, the 5,000 controllers who stayed on the job, and a thousand military controllers. As our air safety record proves, these people are doing the job, and doing it well.

We recognize the importance of the air traffic controllers and the unique work they do. We believe those who stayed on the job deserve the increased benefits we offered last June. So last week we sent our proposal to Congress asking for an 11.4 percent increase in pay and benefits for controllers, technicians, flight service station personnel and supervisors. We recognize, however, that there have been problems other than pay that have been building up over the years, and we are committed to identifying those problems and solving them. Last August we appointed a task force of professionals from the private sector to conduct an independent review of the controller employment environment and make recommendations to us by early next year.

There is no denying that the strike has produced problems, both for operators and travelers, but even during the early days of the walkout we were able to maintain a 50 percent flow rate and only the 22 busiest airports have experienced any real capacity problems. System-wide, traffic has been operating at the 75 to 80 percent levels.

At the same time, we are well aware of the special difficulties this situation has created for the commuter airlines -- especially those operating a large number of flights to a single hub airport. When deregulation was first proposed, by the Ford Administration, it was with the realization that a commuter airline industry had come of age and was prepared to serve the new markets that economic growth and deregulation would create.

No one has been disappointed by your industry's response. In the three years since the Airline Deregulation Act was signed, commuter traffic -- in revenue passenger miles -- has grown faster than any other segment of the industry. Today you provide the only commercial air service at more than 250 cities, and account for 70 percent of the service to the 319 cities eligible for essential air service in the 48 contiguous states.

According to the FAA's long-range forecasts, the growth rates in commuter passenger miles, enplanements and operations are expected to continue -- on into the 1990s. We want nothing to interfere with those forecasts. A healthy commuter air carrier industry is important to a growing economy.

So we don't want the short-term effects of the PATCO strike to tarnish the long-term potentials for growth and development in your industry. Neither do we intend to let the present constraints become a new form of "regulation", just when the old regulatory structure is being dismantled. Our objective is to continue the process of deregulation under which your industry has prospered.

Let me touch on a few of the other issues that I know concern you today.

First, as far as the level of operations is concerned, we notified the airlines last month of the adjustments that will be needed in their December schedules.

The schedule revisions were necessary to insure that the airlines would be operating within the 77-78 percent of capacity that we believe the system can handle safely, while minimizing departure delays and with ample allowances for winter weather conditions. We recognized at the beginning of the strike that it was important for the carriers to stabilize their schedules as quickly as possible, for the convenience of travelers and to assure that connections with commuter lines are maintained.

Under the rules of our Interim Operations Plan, any community qualifying for essential air service will continue to receive service, and any carrier now serving an airport with only one operation per hour will not be cut. We recognize the necessity to see that communities are not denied air service, and we know that your members -- in many cases -- are the only link between those communities and hub airports.

We have also put a general aviation reservation plan into effect to ensure that all operators have access to air traffic control services, and to see that everyone shares equitably in the use of the system. As you know, we have since modified that plan to be more responsive to individual needs. The FAA has also advised its traffic control centers to increase quotas when capacity permits.

Second, with respect to the sunset of the Civil Aeronautics Board, we favor an earlier date than specified in the 1978 law -- in fact, the earlier the better.

The Administration's bill now awaiting mark-up in both houses of Congress calls for an October 1, 1982 sunset date. Our bill is simple and straightforward, and is designed to get the government out of the air transport business as soon as

possible. We recognize, of course, that after sunset some responsibilities, such as the small community essential air service program, will remain. Let me assure you that we will continue to be sensitive to the needs of the commuter industry in providing that service. In that respect we remain opposed to subsidies for your large competitors. We believe the recent Senate action, putting a cap of \$28 million on the 406 subsidy program, is a step in the right direction toward eliminating this unnecessary subsidy program.

We appreciate the support your organization has provided for our early sunset legislation. As we take the sensible legislative steps to conclude the deregulation process, we do so in confidence that the commuter airline industry will continue to expand and prosper. In the post sunset environment, air travelers will rely even more heavily on the service you provide. In that sense, continuation of an interlining system with major air carriers will be critical to your success. We fully support you in that regard. In our view, when an airline chooses to interline with one carrier it should be available to interline with all.

We believe that in large part we meet your concerns in our proposed sunset legislation. We hope you can work with us in getting the legislation passed during this session. We need your help. We have common objectives. There is, however, one aspect of your legislative proposal -- to continue government regulated joint fares -- which seems to ask us to step back into regulation. As you know, regulation of domestic fares will expire in 1983. We do not want the government to continue the practice of setting prices. It's our judgment that government-regulated joint fares are neither wise nor necessary --you can do better through direct fare negotiations with the carriers who feed on the traffic you deliver. Formula-based joint fares are not consistent with a deregulated environment.

Third, concerning the CAB's decision to abolish the commuter flight allocation system at Washington National Airport, we understand the problems that poses for your industry.

Our metropolitan Washington airports policy, as we proposed it last July -- and which recently survived attack by the Senate -- increases the number of "slots" for commuters from the current eight per hour to 11 per hour and permits flights with your quieter aircraft before 7 a.m. and after 10 p.m.

We are also giving consideration to making additional slots available for commuter aircraft in the future, as conditions permit, and using new technology that is now available to relieve pressure on the air traffic system.

We believe that the unique nature of the commuter carriers should be taken into account in dealing with questions of airport access. Two of the principal problems at National, for example, are passenger congestion and noise. You contribute very little to either. For the most part, you operate quiet aircraft. You carry small passenger loads. In addition, you serve the short-haul routes that the larger carriers prefer not to fly or are not equipped to fly. And, because you depend on connecting service, you must operate into and out of the hub airports served by the larger airlines.

The CAB's order requiring a new method of allocating flights at National may appear to pose serious problems for your industry. In a growth industry such as yours, there are natural pressures for new entrants. But under the present flow control procedures there are unavoidable constraints on traffic -- especially traffic increases. Still, your operations at National are below authorized high-density rule slot levels. We believe that the flow control period will give us the time to find a workable system to accommodate your industry's needs in the future. As we rebuild the system and develop new air traffic control technologies, we will use those developments to relieve the pressures at high density airports.

On this and other issues of mutual concern, our doors -- I assure you -- are open. I have met with C-Triple-A members. My staff has met with you. We will continue to talk with you at any time to reach a greater accommodation of your industry's needs. We also welcome the opportunity this conference affords us to meet with the members of this Association to address current problems and move toward practical solutions.

We regret the difficulties the PATCO situation has caused for your industry and for all of aviation. At the same time, it is a great credit to the C-Triple-A that you have maintained generally high service levels in the face of those difficulties. In so doing, you have added to your industry's reputation for innovation and the ability to turn adversity into opportunity.

Finally, let me say just a word today about the economy because as the economy goes so go the fortunes of air transportation.

We passed a milestone about two weeks ago; the national debt went over a trillion dollars. This fiscal year our interest payments on that debt will exceed \$100 billion, or more than the entire cost of running the government 25 years ago.

Our government's inability to live within its means has been largely responsible for inflation and for the high interest rates that have plagued the auto and housing industries, and the aviation industry as well. Transportation, unfortunately, is especially vulnerable to interest rates and to the state of the economy. For that reason, economic recovery should be the number one priority for your industry as it is for the Administration.

President Reagan is making an all-out effort to get our nation's economy back on track--by cutting Federal spending, reducing taxes, eliminating regulations and pursuing a sound monetary policy.

He is doing what his critics and others have said was impossible. But the dream of America, he believes, has always been the "impossible dream" made possible by the commitment, the ability and the spirit of our people.

The members of C-Triple-A, in responding to the challenges and opportunities of recent years, have achieved a piece of the American dream. You have set an enviable record for ingenuity, spirited private enterprise and able public service. You have added a proud new dimension to America's air transportation system. I assure you we will stand with you and by you in working for an even brighter future.