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Remarks prepared for delivery by
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From the impressive list of speakers you have heard already, I have to wonder if there is anything left to say.

Also, my public affairs people want to know what I'm doing in New York City while the newspapers are on strike. I said I'm here to make friends, not news.

There used to be three things that were impossible to do: put toothpaste back in the tube, get off a mailing list, and fly to Europe without going through New York or to anywhere in the South without changing at Atlanta.

I haven't solved the toothpaste or mailing list problems, but we are working through our international agreements to open up the airports as well as the skies to more convenient international air transportation. Air travelers already can fly to Europe from such new cities as Dallas and Houston, and we're rapidly taking the barriers down to open other cities and their airports to direct international operations.

We don't have a solution -- yet -- for the convergence of flights at Atlanta. I recall that one customer, angered at being told repeatedly by one of the principal sunbelt carriers that to get where he was going he would have to change at Atlanta, said to the reservation clerk: "I suppose if I wanted to go to hell, I'd have to fly to Atlanta first."

"Oh, no," said the agent, "in that case you would want our competitor."

I am glad indeed to be here today. This has been an eventful year for aviation. The long-awaited regulatory reforms are close to legislative reality. Air cargo deregulation already has produced rate reductions of 40 to 70 percent in off-peak service, while the higher costs of special cargo services are being paid by the customers who require that level of service.

Reforms for passenger travel also are close at hand. I am hopeful that the Conference Committee will not prevent passage of the regulatory reform bill this session. Both houses have approved it, in principle; the vote in the House last month was an overwhelming 363 to eight.

The regulatory reform bill is somewhat unusual in that the public has had a preview of what it is designed to do, even before the bill is passed. Under the CAB's permissive policies, we have had de facto deregulation for the past year or so. And I don't have to tell you what that has done for air travel.

Airplanes and airports are jammed as never before. The domestic load factor went above 70 percent in August -- and to nearly 75 percent for the international carriers. Airlines are setting new records almost every month. Passenger traffic growth may exceed 20 percent this year. The Air Transport Association keeps issuing revised forecasts of passenger travel and airline earnings. And the busiest airports -- I understand -- are running short on lounges, restaurants and restrooms.

All of this has happened because increased competition has made air transportation a better value. And, as Macy's and Gimbel's both discovered long ago, people know a bargain when they see one.

We need regulatory reform legislation not because it would necessarily reduce fares still farther, but to "lock in" the competitive practices already encouraged by the Civil Aeronautics Board and to prevent changes to those policies by future Boards.

Having tasted competition, the airlines are finding it's not so bad after all. With earnings of \$750 million in 1977 and the prospect of a billion dollar profit this year, the carriers are discovering that they can do business like other competitive industries without what Chairman Kahn has called "the security blanket" of economic regulation.

So we're experiencing what I believe is the early phase of a long growth period in air transportation.

Now, I'm not going to get into the numbers game or go in for stargazing. The airline industry is notorious for its "peaks and valleys" -- its "booms and busts."

I don't think the industry is going to continue to grow 20 percent a year, or even anything close to this year's remarkable rate. I'll stay with the six to 10 percent a year "guesstimate," although -- let me note -- the growth these past two years gives the industry a substantially larger base for future growth projections, whatever they are.

Neither do I expect to see the severe drop-off in air travel that has occurred in other years. I believe we are facing a period of sustained, relatively even-paced growth -- for several reasons:

(1) Competitive marketing practices will tend to generate new traffic, not just bid for a "fair share" of the traffic that's there. We're already seeing fare and service innovations -- lower prices for first class and the emergence of "full fare" and economy accommodations in coach -- and we're finding that the carriers are not necessarily copying their competitors. Instead, airline managements are going their own way to attract customers.

(2) Air travel today accounts for nearly 82 percent of all the intercity public passenger miles. That's just about double the 43 percent of 20 years ago. And about two-thirds of the American people have now traveled by plane, at least once. But the air transportation industry still has made little more than a dent in the private intercity travel market. In other words, as travelers shift

away from the car -- for energy or economic reasons -- travel by plane is bound to increase. The surge in air transportation this past summer shows that air can be competitive with the auto for vacation travel.

(3) I think we can also expect a steady growth in international air travel. And that should be welcome news for airport operators as well as for the carriers. Not that it doesn't add to your physical problems -- I'm well aware, for example, of the customs congestion at LAX; but more international traffic at more U.S. airports undeniably adds to your fiscal potential.

Let me say just a little more about our international aviation policy -- first, because it concerns you as airport operators; and -- second -- because I know there are representatives of other nations here today and our purpose is to do more business together. Sir Freddie has shown all of us that there is a vast market of potential air travelers just waiting for the right flight at the right fare. And they all don't want to land at New York or Boston or Los Angeles -- and shouldn't have to.

What we have tried to do in this Administration in air transportation matters is to exert government influence where it's needed and relinquish it where it's not. In his campaign and since his election, President Carter has given high priority to aviation policy. On the domestic side he has worked to reduce government regulation over fares and routes, and on the international side he has pursued a liberal policy in our negotiations with other nations to make it easier for Americans to fly abroad and for tourists from other countries to visit here.

We have also worked harder to increase industry and public participation in the formulation of our international aviation policy. From the start I have extended AOCI and other interested parties an open invitation to participate and share your views with us. I am pleased that you have done that and contributed so meaningfully to our efforts in this area.

Our international aviation policy really has two major objectives:

- (1) To reduce the cost of air travel by substituting competition for restrictions; and
- (2) Open up more cities to direct, intercontinental air service.

These goals were reflected in the agreement with The Netherlands last March and in the protocol with Israel in August. As a result of the Israeli agreement, for example, fares can now be cut up to 50 percent, and El Al has the right to four new U.S. cities in addition to New York. Charters can provide service to Israel from any point in the United States. We want to allow enough flexibility through new entry points so that our already overburdened facilities can be bypassed to meet growing demands for service.

I believe that all concerned -- air travelers, air carriers, airport operators, even the nations themselves -- benefit from a policy that favors competition over regulation. Major U.S. airports that do have surplus capacity can use that capacity to good economic advantage in accommodating foreign traffic. It's "new business" for the airport, and for the community.

We have seen how the airlines are responding to the new environment with unprecedented imagination in new service proposals. I hope that similarly, airports -- particularly those that are not now major international hubs -- will react just as positively to the opportunity for increased international service. Airports, working with their communities, can aggressively seek more international service. We all know examples of how new industry and jobs can be attracted in connection with

increases in air transportation services. Airports should welcome our recent efforts not just as a challenge but as a competitive opportunity.

I consider the expansion of international air transportation not only a trend, but a logical progression in the development of air commerce. We're rewriting bilaterals because the old-style international agreements are out of date. We're looking toward a new system. I am encouraged by our progress to date and confident that low fares and expanded service will continue to stimulate the international air travel market.

All of the prospects for air transportation growth are of interest to this Council because everyone who travels by air must first travel through an airport. In some places, airside production is causing serious landside problems. I know, because we're into a \$6 million expansion project at Dulles (that "under-utilized" airport of just a few years ago), and at National passenger processing time has about doubled and the parking situation is crucial.

In putting our new ADAP* proposal together we're giving special consideration to the high airport utilization problem. We clearly have capacity problems at some locations, and these cannot always be solved only by higher funding levels. But not too many years ago we were wondering how we would handle several wide-body arrivals at one time, and after that we had the airport security problem. So now we have a capacity problem and that, too, will be solved because, except in one and maybe two cases, we're not going to build any big new airports in the foreseeable future. We have to do with what we have and use the resources available in the wisest possible way.

That's what we're trying to do with the new airport development bill, and we haven't made all the decisions yet and I can't tell you precisely what it will be. But there are a few points I do want to make.

*Airport Development Aid Program

First, the work of developing this bill has been an open process and it will stay that way. The House aviation subcommittee held hearings last June. We listened to the views of those who testified. For six months our special task force has been exploring the problems and meeting with concerned groups.

Bob Aaronson, FAA Assistant Administrator for Airports, has met with AOCI members. Don Reilly and I have discussed the issues. We know what the major needs and problems are -- we have the paper Don sent me early in July outlining the views of AOCI, ALPA, ATA and five other concerned associations. As nearly as I can determine we are agreed that the ADAP program is working but not as well as it should. It's the performance of the program that needs changing, not the structure.

Second, we have to find a way to bring trust fund revenues and expenditures into better balance. We're looking at a number of alternative tax and program level scenarios, to effectively eliminate the "surplus" problem. Let me assure you, we will deal with the surplus, although we have not yet determined the best way of doing that.

Third, we also recognize the need for a special discretionary fund to support the occasional, "one-shot" high-cost development project that comes along. We are considering the possibility of using a portion of the trust fund surplus to establish such an account.

As I remarked earlier, the task force has been at work on this proposed legislation since late April or early May. I expect to decide on the various options within the next 60 to 90 days. The proposal, as you know, must go to Congress by next May 15, although I expect to submit our bill well in advance of that date.

There is one other item of unfinished aviation business on the current legislative calendar, and that is the aircraft noise bill. The Senate Finance Committee last week parted company with the Senate Commerce Committee over the proposed reallocation of a portion of the ticket and air freight tax for noise reduction purposes.

While President Carter did not propose the aircraft noise abatement bill, he has supported it in principle. We believe it is appropriate, and in the public interest, because the government has required -- by regulation -- that previously certificated aircraft meet new standards by 1985.

The bill would use an existing tax, not levy a new one. It would speed-up the acquisition by the airlines of quieter, more fuel-efficient aircraft. And it would bring us closer to the day when commercial airports become good neighbors socially as well as economically.

We have supported this bill, as you have. The House has passed it. I have discussed it with the President and, assuming the level of expenditures under Title II can be held down, he has indicated he would sign it. Therefore, I hope the differences in the Senate can be resolved in the time remaining in this session.

As I noted earlier, this has been a good year for aviation. It can be a great year, if action on regulatory reform and noise reduction can be completed before Congress adjourns. In any event, I think we can take just pride and great satisfaction in what we have done together in this, the 75th year of powered flight, to promote the progress of air transportation -- and bring air travel to so many people around the world.

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