

FILE

REMARKS PREPARED FOR DELIVERY BY SECRETARY OF
TRANSPORTATION BROCK ADAMS, TO THE AIR TRANSPORTATION
RESEARCH INTERNATIONAL FORUM, WASHINGTON, D.C.,
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I AM DELIGHTED TO BE WITH YOU TODAY, ALTHOUGH I AM ALWAYS A LITTLE UNEASY IN ANY SITUATION WHERE I AM EXPECTED TO FORECAST FUTURE EVENTS.

I AM REMINDED OF THE SPEAKER WHO, IN A SIMILAR SITUATION, SOUGHT OUT A FORTUNE TELLER WHO OFFERED TO ANSWER TWO QUESTIONS FOR \$20. "ISN'T THAT A LOT OF MONEY FOR TWO QUESTIONS?" THE SPEAKER ASKED. "YES," SAID THE FORTUNE TELLER. "WHAT IS YOUR SECOND QUESTION?"

CONGRESS ANSWERED ONE QUESTION ABOUT THE FUTURE OF THE U.S. AVIATION INDUSTRY WHEN, ON THE EVE OF ADJOURNMENT, BOTH HOUSES PASSED THE AIRLINE REGULATORY REFORM ACT THAT THIS ADMINISTRATION HAS BEEN SUPPORTING FOR THE PAST TWO YEARS.

THE PRESIDENT IS SCHEDULED TO SIGN THE ACT TOMORROW. IT IS THE MOST SIGNIFICANT PIECE OF AVIATION LEGISLATION SINCE THE FEDERAL AVIATION ACT.

IT REVERSES A 40-YEAR TREND TOWARD GREATER, NOT
LESS, FEDERAL REGULATION.

IT RETURNS RATE AND ROUTE DECISIONS TO THE AIRLINES.

IT GIVES ALL QUALIFIED APPLICANTS ACCESS TO THE
DOMESTIC AIR MARKET.

IT MEANS BETTER SERVICE AND BARGAIN RATES FOR
CONSUMERS.

THE ACT EVEN TAKES THE ALMOST UNHEARD OF STEP OF PUTTING A FEDERAL AGENCY OUT OF BUSINESS. UNDER THE TERMS OF THE LAW, THE CIVIL AERONAUTICS BOARD'S REGULATORY POWERS GRADUALLY WILL BE DIMINISHED UNTIL, IN 1985, THE AGENCY IS OFFICIALLY ABOLISHED.

A FEW YEARS AGO THE INDUSTRY WOULD HAVE BEEN HORRIFIED AT THE THOUGHT. TODAY, NO ONE THAT I KNOW OF IS OVERLY ALARMED.

FOR ONE THING, THE PHASE-OUT WILL BE GRADUAL.
THE CAB JURISDICTION OVER ROUTES DOES NOT EXPIRE UNTIL
1981, OR OVER RATES UNTIL 1982. FOR ANOTHER, ESSENTIAL
AIR SERVICE TO SPECIFIED CITIES WILL BE GUARANTEED FOR
10 YEARS. SO NO U.S. COMMUNITY THAT WANTS SCHEDULED AIR
SERVICE IS GOING TO LOSE IT.

THE AIRLINE INDUSTRY HAS GROWN INCREASINGLY COMPETITIVE OVER THE PAST TWO YEARS AND NO ONE HAS GONE BROKE. TO THE CONTRARY, U.S. TRUNK CARRIERS EARNED MORE THAN \$600 MILLION LAST YEAR AND MAY HIT THE BILLION DOLLAR MARK THIS YEAR.

IN OTHER WORDS, THE "SUPERSAVER" AND "PEANUT" AND OTHER DISCOUNT FARES HAVE DONE WHAT WE THOUGHT THEY WOULD DO -- ALLOWED EXPERIMENTATION, ATTRACTED MORE PASSENGERS AND PRODUCED GREATER PROFITS.

IN FACT, LOWER FARES IN THE MIDST OF RISING EQUIPMENT AND OPERATING COSTS IS SOMETHING OF AN ECONOMIC PHENOMENON. IT'S ALSO BEEN THE GREATEST TRAVEL INCENTIVE SINCE THE COMING OF THE JETS.

IN LOOKING AHEAD TO THE NEXT DECADE -- WHICH IS THE PURPOSE OF THIS MEETING -- I BELIEVE WE ARE IN FOR A PERIOD OF SUSTAINED, AND RELATIVELY STABLE, AVIATION GROWTH. OUR OWN FAA PROJECTIONS SHOW THAT TRAFFIC WILL GROW AT AN AVERAGE SIX OR SEVEN PERCENT ANNUAL RATE -- NOT THE 18 OR 19 PERCENT GROWTH WE'RE SEEING THIS YEAR -- BUT WITHOUT EXAGGERATED PEAKS AND VALLEYS THAT HAVE OCCURRED IN THE PAST.

I REALIZE THAT DABBING IN AVIATION FUTURES IS AN UNCERTAIN ART. SOME OF THE FORECASTS OF PRIOR YEARS HAVE BEEN WIDE OF THE MARK. BUT THERE ARE TWO REASONS WHY I BELIEVE WE CAN COUNT ON A FAIRLY STEADY GROWTH IN AIR TRANSPORTATION, BOTH DOMESTICALLY AND INTERNATIONALLY:

1. PEOPLE'S HABITS ARE CHANGING; AND
2. COMPETITIVE FARES ARE MAKING AIR TRAVEL
A GOOD VALUE.

THE POINT IS, IT'S NOT THE PRICE OF AIR TRAVEL
PER SE THAT MATTERS, BUT ITS PRICE IN RELATION TO OTHER
ITEMS IN THE CONSUMER MARKETPLACE AND THE COST OF
TRANSPORTATION ALTERNATIVES.

TRAVELERS ARE FINDING AIR TRANSPORTATION WITHIN
THEIR MEANS, AND ARE CHANGING THEIR HABITS ACCORDINGLY.

SIX YEARS AGO JUST OVER HALF OF THE PEOPLE IN THE UNITED STATES HAD FLOWN COMMERCIALY; TODAY, TWO-THIRDS HAVE TRAVELED SOMEWHERE BY PLANE. I THINK THAT FIGURE WILL GROW, ESPECIALLY AS LONG-DISTANCE TRAVEL BY AUTOMOBILE BECOMES MORE EXPENSIVE.

PEOPLE WILL SHIFT TO THE AIRPLANE, AND TAKE "FLY/DRIVE" VACATIONS, JUST AS TRANS-ATLANTIC TRAVELERS SHIFTED YEARS AGO FROM SHIP TO PLANE.

NOW ALL OF THIS IS RELEVANT TO THE OUTLOOK FOR INTERNATIONAL AIR TRANSPORTATION BECAUSE WHAT WE'RE SAYING TO OUR TRADING PARTNERS IS -- "LOOK, WE'VE HAD A VERY RESTRICTED MARKET. FARES HAVE BEEN TOO HIGH. THERE HAVE BEEN TOO FEW DIRECT FLIGHTS. A LITTLE MORE COMPETITION CAN BE GOOD FOR BUSINESS. TRY IT, MAYBE YOU'LL LIKE IT."

IN SHORT, WE THINK WE HAVE DONE SOME THINGS THIS YEAR TO MAKE DOMESTIC AIR TRANSPORTATION MORE ACCESSIBLE AND AFFORDABLE FOR MILLIONS OF PEOPLE. THE RESULTS HAVE BEEN GOOD FOR THE AIRLINES, AND FOR THE TRAVEL INDUSTRY. THE BARGAIN FARES HAVE BEEN GOOD FOR THE AVERAGE FAMILY. RECORD NUMBERS TOOK THEIR SUMMER VACATIONS BY PLANE.

SO WHAT WE'RE TRYING TO DO IN OUR INTERNATIONAL AVIATION POLICY IS TO EXPAND THE TOTAL AIR TRAVEL MARKET TO THE AVERAGE PERSON IN OTHER NATIONS, SO THAT AIR TRAVEL IS NOT JUST FOR THE RICH.

WHAT WE'RE TRYING NOT TO DO IS INTERFERE IN THE BASIC AVIATION POLICIES OF INDIVIDUAL GOVERNMENTS. WE RECOGNIZE, FOR EXAMPLE, THAT SOME NATIONS FEEL THEY MUST FOLLOW DIFFERENT RULES.

OUR AIRLINES ARE PRIVATE, PROFIT-ORIENTED ENTERPRISES. THE INTERNATIONAL MARKET, ON THE OTHER HAND, CONTAINS A MIX OF STATE-OWNED, STATE-SUBSIDIZED, SEMI-PRIVATE AND PRIVATE AIRLINES. SO WE REALIZE THAT IN THIS MARKET THERE MUST BE A BLEND -- SOME FREEDOM OF INDIVIDUAL ACTION, AND SOME GOVERNMENT REGULATION.

WE ARE ALSO SENSITIVE TO THE FACT THAT SOME MARKETS ARE HIGHLY COMPETITIVE; OTHERS ARE NOT. GROUND CAPACITY PROBLEMS COMPRISE ANOTHER ISSUE. WHILE WE COULD ACCOMMODATE A GREAT INFLUX OF TOURISTS FROM JAPAN, FOR EXAMPLE, IT WOULD NOT BE PRACTICAL FOR LARGE NUMBERS OF AMERICANS SUDDENLY TO FLY TO JAPAN. THERE WOULD NOT BE ENOUGH LANDING SLOTS TO HANDLE THE TRAFFIC.

SO I'M NOT SUGGESTING THAT INTERNATIONAL AIR TRAVEL SHOULD BE AN ECONOMIC FREE-FOR-ALL, WITH NO RULES OR REGULATIONS. WE CLEARLY HAVE TO HAVE A BOOK TO FLY BY. WE NEED AGREEMENTS BETWEEN NATIONS THAT DEFINE THE RULES UNDER WHICH THE INDUSTRY OPERATES.

BUT WE ALL COULD BENEFIT, I BELIEVE, BY A LITTLE MORE FLEXIBILITY IN THE RULES THAT HAVE TRADITIONALLY APPLIED TO INTERNATIONAL AVIATION.

AS YOU KNOW, WE HAVE BEEN WORKING ALMOST
CONSTANTLY ON THESE BILATERAL AIR AGREEMENTS. I
LEARNED TWO THINGS IN THE COURSE OF WORKING ON THE
BERMUDA TWO PACT LAST YEAR:

1. YOU COULD MAKE A CAREER OUT OF SOME OF THESE NEGOTIATIONS -- AND I DON'T THINK ANYONE WANTS TO DO THAT. WE WANT TO ARRIVE AT COMMON GROUND AS QUICKLY AS POSSIBLE. AND,

2. EACH COUNTRY MUST SPEAK WITH ONE VOICE AT THE NEGOTIATING SESSIONS. IN THAT RESPECT I BELIEVE I HAVE ACCOMPLISHED ONE OF THE GOALS I SET WHEN I CAME TO THE EXECUTIVE BRANCH. WE ARE RESPONSIBLE AT THE DEPARTMENT OF TRANSPORTATION FOR LONG-RANGE INTERNATIONAL AVIATION POLICY. WE HAVE SUCH A POLICY. IT HAS BEEN THOROUGHLY COORDINATED WITHIN THE GOVERNMENT. THE PRESIDENT HAS APPROVED IT. IT IS THE BASIC DOCTRINE FOR THE U.S. NEGOTIATING TEAMS LED BY THE DEPARTMENT OF STATE.

IF I HAD TO SUM UP OUR INTERNATIONAL AVIATION
POLICY IN A FEW WORDS, I WOULD BOIL IT DOWN TO ONE
SIMPLE IDEA: WE'RE TRYING TO FREE UP THE MARKET SO IT
CAN GROW WITHOUT ARTIFICIAL REGULATION CONSTRAINTS.

WE BELIEVE THE WAY TO DO THAT IS TO REDUCE THE COST OF AIR TRAVEL, AND TO OPEN UP MORE CITIES TO DIRECT INTERCONTINENTAL SERVICE.

SIR FREDDIE LAKER HAS DEMONSTRATED QUITE PERSUASIVELY THAT THERE IS A VAST MARKET OF POTENTIAL AIR TRAVELERS JUST WAITING FOR THE RIGHT FLIGHT AT THE RIGHT FARE. AND I DON'T THINK HE WOULD BE SPENDING \$725 MILLION FOR 10 A-300's AND FIVE DC-10's IF HE DIDN'T HAVE A GREAT DEAL OF CONFIDENCE IN THE FUTURE GROWTH OF THE AIR TRAVEL MARKET AND IN HIS ABILITY TO CAPTURE A PROFITABLE SHARE OF IT.

A FEW YEARS AGO IT WAS POPULAR TO BLAME EXCESS CAPACITY ON THE INDUSTRY'S OVER-EAGERNESS FOR NEW AND LARGER AIRCRAFT. EXCESS CAPACITY TODAY, WHERE IT EXISTS, IS MORE LIKELY A PRODUCT OF HIGH-FARES AND INFREQUENT FLIGHTS.

THE INCREASE IN PROMOTIONAL AND STAND-BY FARES RAISED NORTH ATLANTIC LOAD FACTORS TO NEARLY 79 PERCENT IN JULY 1978. TWO CARRIERS HAD ECONOMY SECTION OCCUPANCY RATES IN EXCESS OF 95 PERCENT.

WE HAVE NEW AGREEMENTS, AS YOU KNOW, WITH THE
U.K., ISRAEL, MEXICO, THE NETHERLANDS AND OTHERS.
WE'RE VERY CLOSE TO CONCLUDING AN AGREEMENT WITH THE
FEDERAL REPUBLIC OF GERMANY, AND OUR OBJECTIVE THERE --
AS IN THE AGREEMENTS ALREADY CONCLUDED -- IS TO GIVE
TOURISTS VISITING BETWEEN GERMANY AND THE UNITED STATES
A BETTER CHOICE OF FARES AND FLIGHTS.

WE CONTINUE TO BELIEVE THAT EVERYONE CONCERNED --
AIR TRAVELERS AND AIR CARRIERS, AIRLINE EMPLOYEES AND
NATIONS THEMSELVES -- BENEFIT FROM A POLICY THAT
EMPHASIZES COMPETITION IN THE MARKETPLACE AND ELIMINATES
UNNECESSARY GOVERNMENT REGULATION.

THAT POLICY IS PROVING SUCCESSFUL IN THE UNITED
STATES. IT CAN WORK EQUALLY WELL INTERNATIONALLY. MORE
PEOPLE ARE TRAVELING TODAY, AND STILL MORE WILL TRAVEL
TOMORROW -- WHEN AIR TRANSPORTATION BECOMES AN EVEN
GREATER BARGAIN THAN IT IS TODAY.