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REMARKS PREPARED FOR DELIVERY BY SECRETARY OF TRANSPORTATION BROCK ADAMS,
TO THE AVIATION SPACE WRITERS ASSOCIATION, ATLANTA, GEORGIA, APRIL 25, 1978.

The airlines have just concluded a record year, and as I think Dr. James will tell us at lunch, 1978 looks like a repeat -- with good earnings and another healthy increase in traffic.

The carriers have made the pleasant discovery that competition can be good for business. 'Supersaver' and other promotional fares have filled a lot of empty seats, and Freddie Laker proved that you can cut fares and still operate at a profit. And I think it's also plain to see that the pressure for regulatory reform has had a decided effect both on the CAB's ratemaking and the airlines' fare policies.

Still, the outlook is hazy. The industry experienced a boom when the jets came in, and is experiencing it again with today's bargain fares and aggressive marketing strategies. But in between there have been some lean years. Long term debt has increased. Fuel costs have more than tripled. Today the airlines face some difficult challenges -- tougher competition from abroad, continuing increases in fuel costs, and aging aircraft that must be replaced at a cost estimated at \$30 to \$40 billion over the next 10 to 15 years.

I'm an optimist. I believe American aviation is strong and resourceful. But we're up against an energy crunch, and a money crunch, and no one in transportation can do business the same way we've done it for years. That's why we need regulatory reform legislation. That's why we need a firm, effective international aviation policy. That's why we need a noise relief bill and new ADAP legislation. I want to talk about each of these for just a few minutes, to bring you up to date on what's happening and where we stand, and then I'll take your questions.

I. NATIONAL TRANSPORTATION POLICY

Transportation policy is in transition. We're urging some major changes in concept, direction and financing.

A. Energy

Energy is the principal factor to be considered in all transportation decisions. Unlike utilities and some other industries, transportation isn't easily convertible to non-petroleum fuels. In other words we haven't perfected the electric car or the nuclear airplane and not many are anxious to go back to coal-burning locomotives.

So we have to conserve. We have to make better use of existing facilities. We have to improve fuel-efficiencies and quit wasting fuel.

In the total picture, aviation is not the major consumer of petroleum. It accounts for about four percent of present demand. But fuel has become a significant factor in operating costs, which is one reason why airlines want -- and need -- the new, more fuel-efficient commercial aircraft now on the manufacturers' drawing boards.

B. Reconstruction

A second component of national transportation policy is a greater emphasis on reconstruction than on new construction.

Secretaries of transportation are expected to be builders. The planners, designers and developers of new transportation systems comprise a Secretary's constituency. I can appreciate the importance builders have played in the first 200 years of American transportation progress, but we are reaching the point today where we have nearly all the major highways we need, most of the hub airports we will need, and more railroads than we can use. Now we need to do a better job of maintaining the transportation facilities already in place.

In other words, let's focus for awhile on taking care of what has been built during the last 20, 50 or 100 years. President Carter has pointed out the inflationary dangers of excessive government spending. We must make the best possible use of the tax funds available, putting people to work protecting our investment in the nation's highways, railroads, waterways and airports.

C. Environmental Concerns

Third, transportation affects the quality of life, both for individuals and communities. Despite a long list of rules, amendments and legislative measures dating back to 1969, we haven't yet reduced aircraft noise to acceptable levels. Now, I don't expect we will ever achieve the noiseless airplane or the silent airport, but two developments show real promise:

- (1) The 1976 Aviation Noise Abatement policy identifies noise reduction as a shared responsibility involving state and local as well as the Federal government. The FAA is working with state and local agencies in planning effective airport operations and compatible land-use control;

- (2) the next generation of commercial aircraft will go a long way in reducing noise at its source.

D. Less Regulation, More Competition

Then, fourth, we are committed to the principle of better government regulation. The government of the United States has always regulated the transportation market, beginning with the first rules on imports and the prohibition against tariff barriers between the states. The airlines have been regulated -- under a regulatory framework that has been variously interpreted by Civil Aeronautics Boards but essentially unchanged -- for 40 years.

Our decision last year to support airline regulatory reform and other programs to allow more competition in the marketplace is part of a policy to simplify government regulation and increase competition.

The cost of regulation is hard to pin-point, but it has raised prices both for the taxpayer and the consumer. We want to reverse that trend. President Carter has called passage of meaningful aviation regulatory reform one of the most important anti-inflation issues now before Congress. He and I are delighted that the Senate acted last week to support reform by an overwhelming 83 to nine vote.

II. REGULATORY REFORM

Let me summarize where that legislation stands in the House.

On March 7, when I appeared before the House Public Works aviation subcommittee, the bill under consideration -- the Air Service Improvement Act of 1978 -- had just been introduced by Chairmen Johnson and Anderson and Congressmen Mineta and Levitas. It had all the earmarks of being a good bill -- and I said as much.

I can only say now that the pre-Easter recess events in the House mark-up of the Anderson bill were very disappointing. The substitute bill left the measure stripped of many of its original, meaningful provisions.

In other words, the substitute bill doesn't do the job. And while it makes almost no provision for permitting increased competition in the industry, the bill -- by calling for the sunset of the CAB in five years -- would leave the airlines, presumably, suddenly unregulated. I don't think there is any way Congress is going to let that happen. In fact, I don't think the reform movement can be denied. There is too much momentum, too much logic and too much need for constructive change.

III. NOISE REDUCTION

The next aviation issue on the legislative agenda is noise reduction. I testified early last February in support of a Federal fund to assist the airlines in cutting jet engine noise. That bill would establish a two percent environmental surcharge on passenger travel and air freight -- essentially a ticket tax -- to help pay the costs of retrofit and replacement. At the same time the current taxes paid into the Airport/Airway trust fund would be reduced by the same amount, for a zero net effect on the cost to the air traveler and shipper.

We support this approach for three reasons:

1. Current regulations require that the entire U.S. commercial air fleet be brought into compliance with revised noise standards by 1985. About 75 percent of the 2100 jet aircraft now in use do not meet the established standards.

2. The airline industry, left to its own resources, will be hard-pressed to finance fleet modernization. Over the past 20 years about 75 percent of the industry's aircraft needs have been financed from internally generated sources. I do not believe that limited Federal assistance of the kind being proposed would be inappropriate or set a bad precedent. The time to help the airlines is now, not later after the damage has been done.

3. U.S. manufacturers are facing increased competition from foreign companies. The new generation of commercial jets, those now appearing and others conceived but as yet unborn, are not only quieter but more energy-efficient and cheaper to operate. Our carriers need this new, more productive equipment. They will buy it where they can get it. A supplementary funding program, together with regulatory reform, will help establish the new foundations of confidence needed by the airline industry to restore lender support and by the manufacturers to spur aircraft development.

IV. NEW ADAP LEGISLATION

The next item coming up for consideration is the airport aid bill. The present legislation expires in September 1980 and I would like to begin reviewing a new proposal this fall. There are several possible changes we may want to look at, including more flexibility by the states on the use of airport money and ways to reduce administrative costs and red tape.

As I indicated earlier, there probably will be no new hub airports built in the United States in the next 10 years or so, with the possible exception of Miami and perhaps some beginning construction at Palmdale, California. Several of our cities have airport facilities that are underutilized at present -- Baltimore and Dulles, near Washington, D.C., Midway in Chicago and Newark in the New York City area. So, again, I think we have to make better use of existing capacities before embarking on the long, hard and costly road of major airport construction.

The real need -- and I've discussed this with Langhorne Bond, FAA Administrator -- is to better utilize and connect reliever airports in metropolitan areas. There are some regions -- Southern California, Chicago and the greater Washington area -- where general aviation airports are becoming saturated. So we have to do more in that regard. I might add that the Department, and many state governments, are prepared to put money into reliever airports but communities often don't want them.

V. INTERNATIONAL AVIATION POLICY

Finally, let me say just a word about international aviation policy.

As you may have noticed, Chairman Kahn and I got some media coverage a few weeks ago that neither of us particularly wanted. It resulted from a suggestion I made to the President that the Secretary of Transportation should perhaps have a larger role in international air policy.

Now, I offered that as a constructive suggestion, to deal with what has seemed to me to be a weakness in U.S. negotiating strategy -- namely, the absence of a clear focal point for coordination and communication.

The issue is crucial at the moment because we are involved in a number of difficult negotiations with other nations: the talks between the U.S. and Japan recessed without progress and the European community is resisting the new low-fare and innovative charter policies that U.S. airlines are proposing.

The cornerstone of U.S. international aviation policy is our longstanding reliance on competitive market forces as the best means of providing convenient, efficient, affordable air transportation. We believe that transportation concerns -- not foreign policy concerns -- must be dominant in our international negotiations if we are to be perceived as practicing what we preach. It is quite true, as Secretary Vance has pointed out, that some nations do not share our pro-competitive approach. They consider their airlines as instruments of foreign policy and therefore prefer to negotiate from that point. Nevertheless, the credibility of our commitment is challenged when foreign policy concerns dominate our negotiations.

I further believe that the Secretary of Transportation should have a central role in international aviation relations for another very logical reason.

The Secretary of Transportation is the person Congress calls, the ministers of transport and foreign airline officials call, and the one official viewed by the international community as responsible for making or coordinating transportation policy in the United States. The Secretary bears the brunt of Congressional concerns and international complaints but at present the authority to make the decisions is widely diffused in different independent agencies of the Executive branch.

I do not want to pursue this matter any further at this time in the public forum, and I offer these remarks only by way of explanation. I have discussed the matter with Secretary Vance and Chairman Kahn. I understand and appreciate their views. Personalities are not an issue, and there is no feeling of displeasure or dissatisfaction with the people presently involved in the negotiating process -- only the strong feeling that the present arrangement, that too many agencies have an equal voice but no one exerts leadership, is not conducive to effective international negotiations.

VI. CONCLUSION

For all that we perceive as problems, American aviation has a lot going for it.

- The airline industry has a good safety record.
- Fares and services today provide excellent value for the consumer's dollar.
- Airlines enjoy a high rating in terms of consumer acceptance - drawing few complaints, even fewer than doctors according to a recent Better Business Bureau survey.
- The potential for growth is high. Bill Seawell of Pan Am noted recently that more money is now spent worldwide on tourism than for armaments. And the latest FAA aviation forecasts show that travel on U.S. airlines will increase by 80 percent in the next 10 years, to 420 million passengers by 1989.

Aviation has matured faster than any industry in recent memory. Now, in 1978 -- the 75th anniversary of powered flight -- we're finding that the future of aviation is brighter than its past. The airplane has transformed the world. Yet, with the space shuttle now being tested, perhaps flight is only at the edge of its frontier.

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