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REMARKS PREPARED FOR DELIVERY BY
DEPUTY SECRETARY JIM BURNLEY
TO THE AIRPORT OPERATORS COUNCIL INTERNATIONAL (AOCI)
37TH ANNUAL CONFERENCE
BOSTON, MASSACHUSETTS
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I am delighted to be here today, to bring personal greetings from Secretary Dole, and have this opportunity to talk about what we can do together to improve the safety and quality of air transportation.

The airline industry, as you well know, is a good barometer of the economy. After a few lean traffic years and some heavy red ink for the industry, the airlines today are enjoying strong demand and near-record profits. Traffic grew 10 percent last year, and is running 7 percent above that this year. The major carriers reported a combined net income of 342.2 million dollars for the second quarter, compared to only 24.5 million for the same period in 1983. The industry may very well earn a billion dollars this year.

This gain in air travel echoes the growth in the economy. The GNP is up -- at an annual rate of 10.1 percent the first quarter; 7.6 percent in the second quarter. Inflation remains moderate, 4.1 percent for the past 12 months. Our expanding economy is generating jobs at a rate of about 300,000 a month, and Americans have more "spendable" income now than at any time in recent years.

People are earning more. People are traveling more. The industry itself, stimulated by deregulation, is expanding. Since 1978, 119 new carriers have begun operations, including 15 flying large aircraft. We have more airlines, carrying more people, than ever before.

The flip side of this success story is the congestion we are experiencing at a few of our busiest airports. On the one hand, that signifies a healthy, competitive industry. On the other, it disrupts flight schedules, displeases passengers and frustrates airport operators. The record 44,000 delays last month shows what happens when too many airlines schedule too many flights for the same runways at the same time.

To deal with the problem, Secretary Dole proposed late last month to limit peak hour operations at the six busiest airports. However, in announcing the proposed rulemaking August 15th, we said we would take action only if the airlines did not reach agreement among themselves. The CAB, in ruling favorably on the carriers' request for

antitrust immunity, paved the way for eight days of meetings which began September 5th. The good faith effort by the carriers, in voluntarily shifting flights to avoid peak-hour congestion, should resolve the worst of the scheduling problems. The changes agreed upon during those meetings, subject to CAB approval, will be incorporated in the airlines' fall schedules to be posted in late October.

As airport operators, you know better than anyone that no amount of runway capacity -- no army of controllers or batteries of radar -- can accommodate a host of competing flights all scheduled to depart at the same hour. Like you, we respect the airline's desire to serve their passengers -- to depart at popular travel hours and arrive at times convenient to their customers -- but such schedules must be tempered by realism. Eighty or 90 operations can't be handled in 30 minutes without some flights being delayed and passengers inconvenienced.

Customarily, the end of the summer travel season brings some temporary relief, but overuse of airports at peak hours must be avoided if the industry is to enjoy continued growth. Self restraint, not government regulation, is the answer. Every airport, of course, is not affected directly; the worst delays this summer were at New York's JFK, LaGuardia and Newark airports, and at Chicago, Atlanta and Denver. But the "ripple effect" disrupts schedules at other airports as well. In that respect, congestion is one issue that must continue to get our full attention.

Airport funding is another. Following record expenditures on the federal airport improvement program in fiscal year 1983, the Administration increased spending to 800 million dollars in 1984. As you know, the President's budget recommends 987 million dollars for fiscal 1985. We are, in other words, close to the billion dollar level in airport funding. I also want to emphasize that the Administration is not asking Congress to impose spending limitations below the authorized levels for the Airport Improvement Program in 1985. We agree that the total authorization should be available for obligation.

We have been meeting frequently in recent months with airport executives -- and will continue to meet -- to discuss capacity concerns, fiscal issues and other subjects of mutual interest. As always, we value your input and welcome every opportunity to share ideas about how America's air travelers can best be served.

One continuing issue which defies a perfect solution is noise.

Noise is endemic to airports. It is also a constraint at many airports, both in this country and worldwide. Dealing with the problem is a shared responsibility, involving the airport user, airport proprietor and airport neighbor. It involves aircraft manufacturers as well, and federal, state and local governments.

The federal government's statutory noise abatement responsibilities date from 1968. They consist of a three-pronged approach: control of aviation noise at its source, the airplane; control over the way aircraft are flown in and out of airports, to minimize overflight noise; and control of the residual problems through local airport noise compatibility programs.

Aircraft noise standards, first applied to turbojet aircraft built since 1973, were applied eight years ago to all large jet aircraft. Deadline for compliance with those standards is January 1, 1985. As the Department has made clear, every exemption

request is being considered on a case-by-case basis, following the guidance specified by Congress. That guidance is contained in the Conference Report that accompanied the Aviation Safety and Noise Abatement Act of 1979, and it states: "In evaluating carrier compliance for the four-engine requirements of Part 36, the FAA is urged to give consideration to hardship situations involving smaller carriers where the carrier is making a good faith compliance effort but needed technology is either delayed or unavailable and rigid adherence to compliance deadlines could work financial havoc and deprive the public of valuable airline service." We intend to adhere to that guidance. No exemptions have yet been granted, because none of the requests that have been fully evaluated met the Congressional criteria. However, we are continuing to review petitions and any carrier which, in our judgment, meets the criteria will be granted an appropriate exemption.

No one wants to see any airport lose revenue or jobs. But the vast majority of carriers, including all major U.S. carriers and most foreign airlines, have made the investments necessary to bring their aircraft into compliance with the rule. They have spent substantial sums to acquire the new, quieter planes or re-engine older planes. These carriers should not be expected to compete with non-complying operators, many of whom acquired Stage One aircraft after the 1976 rule was announced. In fact, the majority of the aircraft owned by the 97 operators who, as of last Friday, had petitioned for exemption were acquired after the rule was published. One foreign operator asking for exemption acquired a DC-8 in May of this year, and new operators who have not even leased an aircraft yet are petitioning for relief from the rule.

The noise rule is a delicately-balanced, hard-won compromise. It reflects the needs and concerns of noise-impacted communities, aircraft manufacturers, airport operators and the airlines themselves. The rule promises to serve us well, and its effectiveness should not be compromised by a lenient exemption policy.

As for the second approach to noise control, the benefits of noise abatement takeoff procedures, aircraft engine power management and noise suppression approach patterns are substantial, although these measures all remain subject -- of course -- to the demands of aviation safety.

The third part of this triad strategy, the airport noise compatibility program, is necessarily local in nature. It depends for its success on the initiative of airport operators in bringing together elements of the local community to develop and carry out a balanced noise abatement program. The FAA provides technical support, through such analytical tools as the computer-based integrated noise model and through advice from experts on noise problems. No less than eight percent of airport improvement funds are authorized for assisting local noise compatibility programs.

While the Department supports local initiatives to make airports better neighbors, we draw the line at communities that would close their airports completely to night traffic. There are planes that can be operated quietly at night, and communities that impose blanket curfews are doing a disservice to the people who depend on air cargo, commuter or private operations at night.

The Department successfully fought efforts to close Westchester and Republic airports in New York, and is protesting the shutdown of San Diego's Montgomery Field to night traffic. We will continue to stand on the side of airport operators in any other curfew litigation cases.

Turning now to several future considerations that I'm sure are on your agenda, I can report to you today that the Airport Defederalization Study is nearing completion and will go to the Congress in the very near future. That study grew out of a proposal three years ago to defederalize some 80 major airports, a proposal opposed by many in the airline industry and certain other aviation interests.

The study makes no recommendations, but analyzes the expected effects of substituting local passenger facility charges for federal grants. The study is now undergoing final review in the Department and at OMB.

Whatever the funding source, federal capital grants or locally generated revenues, our airports are straining to keep pace in a marathon with growth in air travel. The airlines carried 310 million passengers last year. We expect an increase to 500 million in 10 years. The number of general aviation aircraft is projected to grow from today's 210 thousand to more than 290 thousand by 1995. Without strong industry and community support, the prospects for any new metropolitan air carrier airports being built in the next decade are not good. More reliever airports are a better possibility. In fact, we are pleased by the continued growth over the last three years of general aviation airports and heliports, which play an important role in our national airport system. During the last three years, over 300 general aviation airports and over 400 heliports have been added to the system.

In terms of progress on system improvements through the National Airspace System (NAS) Plan, we are only two years away from installing the first microwave landing systems. The 90.6 million dollar contract awarded by the Department of Transportation last January (to the Hazeltine Corporation) covers 208 systems to be installed over a five-year period. Ultimately, there will be 1250 MLS systems in place.

The MLS will offer tangible benefits to both airport operators and users, by lowering approach minimums, increasing airport capacity, reducing noise, lessening fuel consumption and achieving IFR precision approaches at places where they are not now practical.

To date we have awarded 1,605,000,000 dollars in hardware contracts for NAS Plan components. The total modernization program, as I'm sure you know, will cost 11.7 billion dollars. It will bring increased safety, capacity, productivity and economy --the result of higher levels of automation, facility consolidations and new telecommunications technology. Savings by the year 2000 are estimated at nearly 20 billion dollars for the FAA, in reduced operation and maintenance costs, and 10 billion dollars for users through lower costs and fewer delays. The NAS Plan represents one of our wisest investments in the future of our industry, our economy and our country.

Another development affecting aviation's future is even more imminent -- sunset of the Civil Aeronautics Board.

Let me assure you we are prepared to assume and carry out the CAB functions transferred by law to our Department under the 1978 Act. These include the Essential Air Service subsidy program and international route selection responsibilities. And, as you know, a Congressional Conference Committee last week also assigned authority for

consumer protection to us rather than the FTC, and domestic airline antitrust immunity to DOT. The Department of Transportation and the Reagan Administration would have preferred for antitrust responsibilities to go to the Department of Justice. However, if this bill is passed by Congress and signed into law, we will be prepared to carry out all of our new responsibilities.

During the course of the legislative process, the Department's plans for smoothly integrating the residual CAB functions and staff into DOT have been going forward. Our transition team has been working with CAB personnel for several months now. Most of the staff you know and have consulted at the CAB will be doing similar work at DOT -- and that includes traffic data acquisition which we know is of special interest to you.

The Essential Air Service program will be transferred to DOT intact as a new and discrete office within the Office of the Secretary. We are committed to preserving the EAS function as is throughout the remainder of its statutory authority.

All international aviation functions -- bilateral negotiations, carrier selection, tariff-filing and review, and international air mail rate regulation -- will be absorbed after December 31 by our Office of Policy and International Affairs. Careful provisions have been made to insulate decisions, in formal proceedings, like carrier selection, from political influences.

Finally, we will continue in the future to make every effort to implement the policies set forth in the International Air Transportation Competition Act of 1979. Simply stated, that policy aims at the most competitive operating environment possible, consistent with efficient and economic air service.

We are more aggressive, perhaps, in our bilateral negotiations than we were a few years ago. In exchanging route authority with other governments, we expect U.S. air carriers to be awarded competitive opportunities at least equal to those enjoyed by the foreign flag carrier. We want the least restrictive charter agreements and the most deregulated pricing schedules. We want fair treatment for U.S. airlines abroad and the elimination of all discrimination. We are pragmatic enough to know we cannot and will not achieve all our objectives all the time. But we will continue to demand a balanced exchange of commercial rights and fair competitive opportunity for our airlines as the price of admission for foreign carriers to the U.S. market.

We have also become more sensitive in the last few years to the needs of airports and the surrounding communities when we plan and conduct international aviation negotiations. Since September 1983, a representative of your organization has participated in these negotiations as a member of U.S. aviation delegations, and provides valuable additional input to help us understand airport and community needs.

A good example of the importance that the U.S. negotiators attach to providing for the needs of U.S. communities is the recent agreement reached with Canada. That accord allows any number of airlines the opportunity to serve most airports in the United States from Montreal's Mirabel Airport with any size aircraft, and to competitively price those services. Absent this arrangement, new services with large aircraft could not start without lengthy route negotiations, fares would be controlled and, in most cases, only one airline could provide the service. There are already plans for services to several U.S. airports by Canadian and U.S. airlines. Another aspect of

the same agreement will stimulate local and regional services with small aircraft and result in new air services to U.S. communities. The AOCI representative was most helpful in these negotiations.

Forty years ago Grover Loening, one of aviation's pioneers and at that time a consultant to the Grumman Corporation, had a vision of the future. "Gliders," he said, "will be the freight trains of the air. We can visualize a locomotive plane leaving LaGuardia Field towing a train of six gliders. It would be possible to unhitch the glider that must come down in Philadelphia as the train flies over that place -- similarly unhitching the gliders headed for Washington, Richmond, Charleston, Jacksonville --and finally the locomotive itself lands in Miami. During the process it has not had to make any intermediate landings, so it has not had to slow down."

That prediction of "intermodal transportation" never came to pass. Yet in many ways aviation has far exceeded our wildest dreams of what air transportation can achieve. Today's challenges -- congestion, capacity and growth -- will be met as surely and as ably as the problems of our past. The airport, tomorrow as today, remains an indispensable fixture -- a community asset and an essential element in our transportation system.

It is a system in which we take great pride. Years ago -- during the dark hours of World War II -- Winston Churchill pleaded with Franklin Roosevelt saying, "Give us the tools and we will finish the job." The Reagan Administration has assisted in providing transportation with the modern-day tools to do the job -- a rebirth of free enterprise and competition, and an economic environment conducive to greater productivity. As professionals in airport operations, you can appreciate the value of these incentives to the aviation industry. Working together, we will get the job done -- and done well.

Thank you very much.

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