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I'd like to talk about some issues that have been very much in the headlines recently. For the most part they have been reported fairly. But I know of few issues that can be more easily misrepresented, misunderstood, demagogued and sensationalized than the relationship between economic deregulation and aviation safety. I intend to spend the next few minutes offering a context for your intellectual and visceral processes the next time your plane is accelerating toward takeoff.

First and foremost, let me emphasize that when we speak of "airline deregulation," we are talking about the elimination of economic regulation. Safety has most assuredly not been deregulated. And the benefits of economic deregulation both to the individual American consumer and the American economy as a whole cannot be exaggerated. They are real, substantial and ongoing, and they are measured in billions of dollars in reduced travel costs.

There has been a tendency recently to romanticize the days of economic regulation of the airlines. In order to dispel that romanticism, I'd like to provide you with a bit of history.

A comprehensive and centralized regulatory system was imposed on the infant aviation industry in 1938. That regulatory regime, administered by the Civil Aeronautics Board, controlled virtually every airline economic decision for the next four decades. The CAB prevented active price competition through its reliance on industry-wide fare increases. Further,

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as a consequence of the Board's limited entry and mandatory service policies, airlines had very little discretion to adjust their routes or enter new markets, especially if another carrier was already serving those markets. Despite all the protection and a predictability offered by this system of regulation, the industry didn't always prosper. Many of the largest operators experienced financial problems year after year.

When you look at the vibrant airline competition of today, it's hard to remember how truly suffocating the regulated environment was only 8 short years ago. Routes, tariffs and service were in the firm grip of federal central planners. There was little room for creative thinking because of the absence of true competition. The results were entirely predictable: the airline industry was stagnating.

It became increasingly clear that if the American public's changing transportation needs were to be met, the artificial constraints limiting expansion and competition would have to be eliminated. Finally, in 1978, Congress passed the Airline Deregulation Act. This effort culminated with the closing of the Civil Aeronautics Board a little more than a year ago and the transfer of its residual functions to the Department of Transportation.

Under deregulation, entrepreneurs launched a new era in aviation. Today there are twelve major carriers flying, another score or so medium-sized carriers and a host of regional and commuter airlines. Deregulation has clearly brought a new level of cost consciousness and service options to the airline industry. Before deregulation when we travelled, our choice was limited to first class or coach. Today, you can find as many as 10 categories of fares, each tailored to a specific market segment.

The low fares mean that air travel has been brought within the financial reach of millions who otherwise could not have afforded to fly. Exotic vacations and distant family and friends have been brought closer for millions of ordinary American citizens.

The important point here is that these benefits have not, as some would claim, come at the expense of aviation safety. Flying remains one of the safest forms of transportation, and air travel in the United States is still the safest in the world. Each day, some 15 thousand scheduled airline flights carry an average of 1 million passengers, and 99.999 percent of these flights reach their destinations without so much as a minor operational error.

Now there has been a lot of concern recently because international commercial aviation in 1985 experienced its highest number of fatalities in a single year -- 1,622 people lost their lives. It is crucial, however, that this bare statistic be put in perspective. About 70 percent of these fatalities occurred in accidents on foreign airlines and almost 50 percent occurred in the crashes of Japan airlines with 520 deaths and Air India with 329 deaths. We have found no common thread in the causes of last year's tragic accidents -- either here or abroad -- and we have no evidence that



the presence or absence of government economic regulation contributed to those crashes. In fact J.A.L. and Air India operate under heavy government economic regulation.

As John Robson, who served as Chairman of the Civil Aeronautics Board before deregulation, recently said in a Wall Street Journal column, "for U.S. carriers operating scheduled service with large aircraft (which includes all the major airlines), the 1985 total accident rate ranked among the lowest of the past decade. In fact, the domestic fatality rate for these carriers in the seven years after deregulation is only about half that of the five years immediately preceding deregulation. The commuter airlines, which have had an explosive growth under deregulation, last year had the lowest accident rate in their history. The one dark spot is that 1985 fatalities on air-charter carriers were at a record high, primarily because of the Newfoundland crash. The charter carriers have been the aviation segment probably least affected by airline deregulation. They are now the subject of a special FAA safety probe. Overall, the aviation accident rate in the U.S. has declined steadily over the past 25 years, and there is no evidence that deregulation is having any adverse effect on this comforting trend. Travel by air still remains about the safest way to get there."

None of this should come as any surprise if you remember that, contrary to the snap judgment some have made, competition promotes safety. If a carrier acquires a reputation for sloppy operations and marginal practices, passengers will stay away in droves. It is also important to recognize that airline executives faced economic pressures before deregulation but had much less flexibility to adjust to those pressures than today. Because the government set fares under regulation, the carriers could not, in order to increase overall net revenue, lower their fares to attract new business or adopt new schedules to meet changing consumer demands. One of the few ways a carrier could reduce losses or increase profits was by cutting maintenance, pilot training and other safety items.

I am not claiming, however, that the post-1978 era has been problem-free. It is inevitable that in the transition from a stagnant, regulated industry to a booming competitive one, there will be some growing pains. Additionally, the PATCO strike, right in the middle of our transition to a free market, compounded these pains by requiring restrictions on air traffic while the controller workforce was being rebuilt. Finally, the FAA, which had geared itself to the lethargic pace of an industry in which economic change was inhibited at every turn by the CAB, has faced the challenge of keeping a step ahead of a newly invigorated, competitive industry.

You've all seen the allegations -- that the Air Traffic Controller workforce is understaffed, inexperienced and overworked -- and you've read the headlines -- "Dateline Washington -- Harried Air Controllers Voice Safety Concerns."



The true story makes for less exciting headlines -- something along the lines of "Orderly Planning Keeps FAA Ahead of the Curve in Air Traffic Controller Needs."

In rebuilding the controller workforce, the objective was not merely to replace the fired controllers, but to create a system for the future. We reached our goal of approximately 14,000 controllers in February 1985, but the demands on the Air Traffic Control System continue to grow. We are increasing the size of the controller work force by 1,000 over the next two years to accommodate future growth in the aviation system.

To improve safety and productivity, we designed and implemented a variety of new and better air traffic control procedures. The FAA's "flow control" system balances air traffic with the capacity of the system. Each morning, FAA's manager for traffic flow has a meeting by conference call with the 22 major air traffic control centers around the country. The key word is "anticipate;" this daily call enables the centers to anticipate air traffic needs more efficiently. When a plane takes off in New York, the pilot already knows what his landing slot will be when he arrives in Los Angeles. We have dramatically reduced the number of planes circling over busy airports. The results are fewer delays, substantial fuel savings, and a more efficient use of our controllers.

I'm sure you recall the tide of complaints and wave of hysteria two summers ago when the demand for air transportation caused record numbers of delays at the country's six busiest hub airports. The problem was largely one of over scheduling during peak hours. At Atlanta International Airport on June 21, 1984, for example, 45 aircraft were scheduled to depart between 9:15 a.m. and 9:30 a.m., while only 3 were scheduled to depart between 8:45 a.m. and 9:00 a.m. To resolve the problem, at my urging the airlines sought antitrust immunity to adjust their schedules. In eight days of marathon negotiations, they were successful, thereby reducing delays substantially. When added to an increasingly experienced work force, the result was that flight delays were reduced by 17 percent in 1985, even though traffic increased 3 percent.

The fact is that some air traffic control centers still don't have as many experienced controllers as is ideal. So we've initiated several programs over the past year to use our manpower more efficiently. One example is what I call "cross option," designed to place controllers where they're needed most.

In addition to maximizing its human resources, FAA is working to assure the long term safety and viability of the system through improved technology. Many air traffic control and air navigation facilities still rely on vacuum tube equipment, which is costly to operate and maintain. Modernization was long overdue when President Reagan took office.

To revolutionize not only the air traffic control system, but provide the technology to lead us into the 21st Century, we have undertaken a \$12.2



billion program to completely modernize the National Airspace System. Implementation of the NAS plan will mean increased safety, productivity and economy as a result of higher levels of automation, facility consolidations and use of telecommunications technology -- and it will double our capacity in the air by the year 2000.

For example, everyone has heard of wind shear -- a sudden change in wind direction most likely to occur during thunderstorms. We are pioneering technology for windshear development, and plan -- by 1989 -- to begin installing wind shear detecting radar at airports. Even now we are spending \$1.7 million to train pilots on how to avoid the sudden wind shifts. Meanwhile, 110 airports have been equipped with the best equipment now available -- low level wind shear systems. In short, the NAS plan is moving us from today's labor-intensive system to a more modern and highly automated system for the future.

We have also made a massive effort to update our safety-related regulations and policies. We've promulgated final rules setting tougher standards for airline seat cushion flammability, requiring floor level emergency lighting and mandating that smoke detectors and fire extinguishers be present on all commercial airplanes. I pushed rules that establish maximum blood alcohol levels for aircraft crew members of .04 percent and require alcohol tests for aircraft crew members. Rulemakings to be completed in the near future include new and tougher standards for protective breathing equipment for crew members, and higher flammability standards for the rest of the materials used in the cabin.

To be sure our safety inspectors are doing the best possible job, I ordered four major efforts which have led to dramatic changes in the way inspections are conducted. First, I ordered an unprecedented, comprehensive "White Glove" Inspection of all U.S. airlines -- 14,000 additional inspections. I also ordered a top-to-bottom review by our inspectors of general aviation, including air taxis, repair and maintenance shops, pilot training programs and record keeping. Overall, we found a high level of compliance with our standards -- but we found problems with some carriers, and we took corrective action immediately. And both reviews taught us a lot about ourselves.

So while the FAA was getting tougher on our carriers -- last year it initiated actions to suspend or revoke the certificates of more than 60 carriers and imposed record fines -- it also conducted Project SAFE, a comprehensive review of the safety inspection process. Project SAFE was completed last Fall at the same time my internal Safety Review Task Force issued a report on the FAA's safety standards. These reviews pulled no punches. For example, we found that regulations were sometimes applied inconsistently from one FAA office to the next and even from one inspector to another within the same office. As a result of this finding, the FAA is completely revising its 30 volume inspector handbook for the first time in 28 years. To assure adequate follow-up of our inspection efforts, we are currently developing the first comprehensive, computerized record keeping



system for our inspectors, and we will be able to turn to this national data base for up-to-the-minute information on the inspection and enforcement histories of each operator.

As a result of these surveys, I increased the inspector workforce by 25 percent beginning in early 1984, bringing it to the highest level in FAA history. To be sure that inspections are conducted systemically, all FAA field offices were given for the first time a comprehensive surveillance work program, setting out the minimum numbers and types of inspections to be conducted each year for each operator. Inspectors will be rotated among the carriers and regions of the country to insure they don't become too comfortable with their assigned carriers. In addition, we are conducting detailed, in-depth inspections on each major carrier, periodically, on top of our routine inspection program. The first of these has just been completed, generating a lot of headlines about very large fines. Others are in progress. On top of all that, we have one-time special focus inspections underway.

The result of this series of fundamental reforms in our inspection process is safer flying. I hope you will not accept at face value the claim by somebody trying to sell books or get on the television talk shows that record fines mean safety is deteriorating. Isn't it much more likely that record fines mean FAA is doing a tougher, better job at enforcing the law? And tougher enforcement means greater safety.

These dramatic changes require more people and new laws. Therefore, several months ago I announced the second major increase in our inspector work force since I became Secretary. This will add another 500 inspectors. Last September, I also sent Congress legislation to increase the maximum civil fine for safety violations from \$1,000 to \$10,000 per incident. While a few individual members of Congress are generating headlines in your papers with calls for action on aviation safety, this legislation is languishing in Committee. It ought to move now.

In addition to our safety efforts, we are moving just as aggressively against terrorism in the skies. I sent Congress legislation two months ago that would -- for the first time -- make unauthorized entry in secured areas in airports a federal crime. The bill would also provide authority for criminal background checks for employees having such access. It is imperative that Congress act quickly. Delay will only impede -- unnecessarily and perhaps tragically -- our ability to improve aviation security.

Here in the U.S. we have been spared, so far, from the violence we've seen overseas. But we must be ever vigilant and we must continue to do all in our power to rid ourselves of this global menace. Since last Summer, we have taken a number of steps to strengthen aviation security. The FAA continually conducts security assessments of more than 50 of the world's largest foreign airports. In 1986, FAA officials will visit every foreign



airport that is served by a U.S. carrier or that is that last point of departure to the United States by a foreign carrier. If we find an airport does not maintain effective security and will not immediately correct problems, I can ultimately suspend aviation operations between the U.S. and any foreign airport.

We also issued new checked baggage and cargo security measures. As any of you know who have traveled recently on international flights, curbside check-in for those flights is no longer allowed. For all flights, checked bags will be accepted from ticketed passengers only. For some flights, we have even more stringent requirements such as enhanced physical inspection of carry-on baggage after it is subjected to X-ray screening. Since last summer, we have required a security coordinator for all flights, both domestic and foreign. Simultaneously, we increased substantially our air marshal force, composed of armed security personnel. While their focus is on ground security, making certain no unauthorized person gets anywhere close to an airplane, there are some marshals assigned to the air.

We have expanded our research and development efforts to keep pace with terrorists, whose criminal activities are ever more sophisticated. Not only are we developing better devices to detect weapons and explosives, some of which are already coming into use, but our behavioral research is resulting in improved profiles to identify potential terrorists.

Ladies and gentlemen, I realize that my speech today has contained a great deal of rather detailed information. And while I apologize for that, I know this audience is deeply interested in the facts on America's safety in the skies.

And because of this, I feel very strongly that these facts must be presented. It is the reason I have come before you today. There is no group better able to articulate this important information than those of you here today. I have great respect for you and the dedication of your newspapers to reporting the news truthfully and accurately. Each day in your newsroom you scrutinize the pages of copy generated by your reporters, making hard decisions in the manner of that well-known motto of a large circulation daily, "All the news that's fit to print."

May I urge you to join with me now in a public service to the American people -- to present them with the facts they deserve to read. I pledge to you I will strive to leave no stone unturned where aviation safety and security are concerned. But I need your help and I welcome your counsel.

Fellow flyers, let us make this important journey together, to ensure that the safest system in the world is ever safer.

Thank you very much.

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