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I am delighted to be here to discuss three areas of mutual interest and concern. Aviation security, aviation safety and space transportation. Historically, our aviation security programs have been extremely effective, as they are today. During the five years preceding 1973, when we first put in place passenger screening operations, we averaged 27 domestic hijackings per year. During 1985, there were only three attempted hijackings of scheduled air carriers in the United States, none of which were successful. Since the security program was initiated in 1973, we have screened over 7 billion passengers and 8 billion pieces of carry-on baggage. These screening and inspection procedures have detected 34,000 weapons before they were carried aboard aircraft, and resulted in over 14,000 related arrests. At least 116 hijackings have been prevented.

As conditions have changed and would-be hijackers and other terrorists have tried new approaches, our security programs have been tailored to meet these new challenges. When international terrorist activities escalated last year, we put in place tough new security procedures to ensure the safety of Americans traveling abroad. Last June, I went to the International Civil Aviation Organization (ICAO) to seek tougher security standards worldwide. With the help of other concerned nations, ICAO introduced 11 new specifications into its Security Annex and 19

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specifications were adopted as standards. Those new standards are now being followed throughout the world.

To counter the terrorist threat in the United States, we are moving aggressively against terrorism in the skies. I sent Congress legislation last fall 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.

The FAA continually conducts security assessments of airports around the world. In 1986, FAA officials will visit every foreign airport that is served by a U.S. carrier or that is the 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.

Curbside check-in for international flights is no longer allowed, and 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 foreign and domestic. 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 marshals assigned to the air on selected flights.

We are developing better devices to detect weapons and explosives, some of which are already coming into use, and our behavioral research is resulting in improved profiles to identify potential terrorists.

Americans, of course, cherish their freedom above all else. Freedom of mobility, to move safely in pursuit of business or pleasure is part of our way of life. We cannot, and will not abandon those freedoms to terrorists, who in the name of some "cause," would maim or kill innocent civilians. Let me assure this issue remains on top of my priority list.

There are other aviation issues that have been very much in the headlines recently -- the relationship between economic deregulation and aviation safety. Eight years after deregulation, some still question whether airline deregulation is a good thing.

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 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 review with 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 economic decision of the airlines for the next four decades. The CAB prevented active price competition through its reliance on industry-wide fare increases. Further, 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 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.

Thus, the 1978 Airline Deregulation Act, and a new era in aviation. Today there are twelve major carriers flying, another score or so of medium-sized carriers and a host of regional and commuter airlines. 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 afford to fly.

And here is the important point: 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. While even one fatality is too many, 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 over 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 to increase overall net revenue, could not 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.

Now I'm not claiming 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 the 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 where 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.

As I assumed my duties as Secretary of Transportation in 1983, carriers were pulling out of the recession. It was clear that major changes would be needed in how the FAA does business. In rebuilding the controller

workforce, the objective was not merely to replace the fired controllers, but to create a system for the future. I am 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.

The fact is that some air traffic control centers still don't have as many experienced controllers as is ideal. One example of better use of manpower is the "cross option." program designed to move controllers where they're needed most.

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.

We have also made a massive effort to update our safety-related regulations and policies. Some rules have been languishing in the FAA for years. Working with Don Engen, we've promulgated final rules setting tougher standards for airline seat cushion flammability, requiring floor level emergency lighting and mandating that smoke detectors, medical kits and fire extinguishers be present on all commercial airplanes. I pushed rules through 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 all the rest of the materials used in the cabin.

Now let me go into a little detail on inspection procedures. Don Engen and I ordered four major efforts which have led to dramatic changes in the way inspections are conducted. First, two years ago, before Don Engen became Administrator, 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. I am very much committed to self examination.

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. One result: the FAA is completely revising its 30 volume inspector handbook for the first time in 28 years. To assure adequate follow-up on inspections efforts, we are developing the first comprehensive, computerized record keeping system for our inspectors, providing 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. 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.

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 we are doing a tougher, better job of enforcing the law? And tougher enforcement means greater safety.

The proposed civil penalty against Eastern Airlines shows that where safety is concerned, it's not business as usual at the FAA. I want to emphasize that Eastern is safe, provided they continue to address the allegations levied against them. If payment of the \$9.5 million penalty is not received from Eastern by Friday, FAA Administrator Don Engen will refer the case to the Justice Department to seek to recover the maximum statutory limit of fines. I fully support this action.

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.

Before I conclude, I would like to make a few brief comments on one other issue in which this audience has a deep interest -- commercial space transportation.

This Administration has been working to help make the commercial space launch industry an integral part of our future transportation economy -- an industry many of you in this room will be involved in.

Just as commercial air freight lines grew out of government-operated mail service, private sector unmanned rocket launches are a natural outgrowth of the government-run space program. Privately-owned aviation was launched in the 1920s because it was felt that it was undesirable in a country "passionately devoted to the creed of free enterprise" for the government to take on too much responsibility. Sixty years later, our commitment to free enterprise remains the backbone of the American political and economic system, and we are once again preparing to give the creative and dynamic forces of the private sector the opportunity to help shape our future in commercial space.

Private American firms already have 25 years of launch experience and hundreds of launches, with success rates upwards of 95 percent. Despite recent failures, rockets like the Titan, the Atlas-Centaur and the Delta -- with hundreds of successful launches to their credit -- could be ready to launch as early as 1988-89, providing an efficient and effective transportation alternative as a complement to our shuttle orbiter fleet.

President Reagan recognized the potential of unmanned rockets in 1984, when he endorsed privatizing the unmanned rocket industry and designated the Department of Transportation as the lead agency for facilitating the development of the industry. We have been working ever since to eliminate excess regulations, to remove regulatory barriers and to provide a climate for the industry to grow and thrive.

The need for a private sector space transportation alternative has become abundantly clear. Crippled by the loss of the Challenger and the Titan and Delta rockets, our country is virtually earthbound. We suddenly find that commercial launch vehicles not only make good sense for space development, but are in fact critical to our national space policy.

Commercial space development is an important long-term commitment. It is maintaining U.S. leadership in space, expanding our economic horizons, and providing new and life-saving services that can make a difference for people throughout the globe.

As Secretary of Transportation, I am committed to creating an environment to allow the private sector to launch unmanned rockets as soon as possible. I can envision that some years from now, a future Secretary of Transportation will be overseeing the safety and security of our commercial space program, just as I have the safety and security of our airports at the very top of my priority list today.

Thank you very much.