



U.S. Department of
Transportation

News:

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SECRETARY OF TRANSPORTATION ANDREW H. CARD, JR.
AERO CLUB LUNCH
WASHINGTON, DC
TUESDAY, MARCH 31, 1992

You here today are experts in the field of aviation. You make things happen. So your advice and counsel are important to me. I look forward to hearing your ideas and concerns regularly.

There are several topics I'd like to address: . . . the state of the aviation industry . . . reauthorizing the FAA . . . expanding airport capacity . . . cutting back on regulations . . . and international aviation.

STATE OF THE INDUSTRY

In the last five weeks, I have reached out to all kinds of people to learn as much as I could about the state of America's aviation industry. You don't have to be a Wall Street analyst to understand that the past two years have been tough on aviation . . . commercial and general aviation both.

General aviation has been hit hard, especially by the rising cost of insurance. The effect of losing the investment tax credit has made it more difficult for general aviation manufacturers. And tough economic times haven't helped.

In addition, the twin plagues of recession and higher fuel prices, sparked by the Gulf War, have exacted a terrible toll on the commercial side of the industry.

But I do believe the airlines are poised for recovery. Our flaps are set. . . we're lifting off once again. Almost all analysts agree that the industry is set for a powerful come back.

REGULATORY REVIEW: PURSUING COST SAVINGS

The economy is turning around. You are looking for opportunities to capitalize on that growth, attract more customers, and generate more revenue. We in government are looking for ways to help you. And there are, I expect, ways we can help.

For example, I know government regulations are a major cost of you doing your business.

In one of my first days on the job, I had dinner with a group of airline executives -- all type triple-A personalities. My staff prepared what I thought was a pretty good briefing paper on what I was likely to hear.

They said don't arm wrestle with Herb Kelleher. Try your best to draw out Bob Crandall . . . he's rather bashful. Then I sat down to dinner and heard from them all.

And the next day, just to make sure I got the message, bashful Bob handed me a three-ring binder full of information that I'm still working my way through. I can see it now -- I'll soon get a binder from every one of you.

The truth is, I do like hearing from all of you. There's a two-foot stack of comments working its way up to the tenth floor at DOT -- part of our regulatory review process that the President ordered. We are taking the review very seriously, and I'm delighted many of you took advantage of the opportunity to give us your comments.

And as we review these regulations, we intend to pursue cost savings aggressively. But do understand this: We will not compromise safety. In keeping the skies safe for passengers, there is no finish line.

DEREGULATION HAS WORKED

But I know there is a big difference between safety regulation and economic regulation. You won't find me backtracking from our strong commitment to economic deregulation. Rather, DOT will redouble its efforts to remove regulatory roadblocks that still stand in your way.

SOLUTIONS AND OPPORTUNITIES

It isn't enough that I work just to remove roadblocks. I also want to improve access to our transportation infrastructure.

There aren't many cabinet secretaries who have been told by the President to spend money, quickly. That's what the President told me, and we are doing just that. We've done so with surface funding under the Intermodal Surface Transportation Efficiency Act (ISTEA), and we're doing it with airport improvement grants that upgrade our nation's airports, both large and small. The FAA has already obligated more than \$400 million this year for AIP grants -- well ahead of last year's pace.

Increasing our investment in aviation infrastructure is one of the pillars of the FAA reauthorization package we sent to Capitol Hill. We've proposed \$15 billion in capital investment -- a 25 percent increase over the last three years.

A second pillar of our proposal is increasing capacity. We want to incorporate an additional 25 military airfields into our civilian aviation system. We also want to broaden the use of airport entitlement funds for projects that directly improve airport access for passengers or freight.

Some of you have been in touch with us about our efforts to build more capacity at airports through Passenger Facility Charges, or PFC's. Six applications have already been approved, and 32 more are being processed, at last count. An amended Minneapolis-St. Paul was officially approved today. The six approved will generate more than half a billion dollars for improved service.

When most are in place around the country, we expect PFC's to generate a billion dollars a year for airport improvements.

While we're optimistic about the promise of PFC's, we are not rubber stamping applications. We're going over every application the way Dick Darman goes over DOT's budget. Not one of the six applicants has gotten everything they asked for. We're not in the Santa Claus business. But overall, we're impressed with the quality and seriousness of the applications.

To make the process even better, the FAA is working with airports early to take full advantage of the opportunities PFC's have to offer. We are strongly encouraging consultation between the carriers and airports.

PFC's come from Congress packaged with a noise standard. We will not permit the proliferation of local noise restrictions inconsistent with the national policy.

So, from President Bush's regulatory review process . . . to FAA reauthorization . . . and to PFC's, we are working with you to create opportunities and to remove roadblocks.

OPPORTUNITIES OVERSEAS

Opportunities also await us in the international marketplace. Just as less government regulation has helped the airlines domestically, I know liberalization can work internationally.

Thanks to the efforts of our negotiators to free up international aviation, we now have more market-oriented agreements with our aviation partners than ever before. U. S. international carriers have freedom to fly to far more destinations, and with far more flexibility to set fares, than they did a decade ago.

NEGOTIATIONS WITH FRANCE

Unfortunately, gains made by our negotiators are being challenged by a number of countries.

In a few cases, our trading partners are seeking relief from their economic woes by trying to limit the rights of U. S. airlines abroad.

Today, here in Washington, U. S. and French negotiators are discussing whether U. S. carriers can carry all the passengers they are entitled to fly this summer. The French have insisted that U. S. carriers cut 500,000 seats from their summer schedules -- a twenty percent reduction and a serious matter. I don't have to tell you how much damage such a reduction would do to the transatlantic travel market.

On Friday, I called my French counterpart, Minister Paul Quiles, to stress the importance of our bilateral agreement.

Let me be clear about this issue: The United States places a very high value on its bilateral agreements. We respect those agreements, and we honor them faithfully.

And we do expect the same from our trading partners.

But I don't want to leave you with a negative message. Let's talk about how we can "push the envelope" -- to open further international aviation markets for everyone.

OPEN SKIES ANNOUNCEMENT

The Bush Administration has already taken some important steps to advance the cause of more open international aviation markets. The steps range from easing restrictions on foreign investment in U. S. airlines -- within the limits of the current law -- to the creation of a program that opens new U. S. gateway cities to foreign carriers without insisting on prior negotiations.

Yet more needs to be done. We need to stimulate greater interest in creating an even more market-oriented international aviation environment. Today, we are prepared to do just that -- to take another step in the direction of open markets.

In the past, in exchange for greater deregulation we offered the most generous and wide open aviation agreements

possible only to a few of our largest trading partners. These "open skies" offers were extended to our partners with the largest markets.

Today, I am announcing that we will now offer to negotiate open skies agreements with all European countries willing to permit U. S. carriers essentially free access to their markets.

At present, we will confine these discussions on open skies to the countries of Europe -- since Europe is moving toward the free flow of passengers and goods. Of course, we hope that other regions of the world will soon be ready to join us in similar talks.

Before considering any candidate for an open skies arrangement, however, we will first carefully define what an "open skies regime" should look like. And you'll help us do that. There are many issues to look at: fares, routes, airport access, computer reservation systems and other important concerns.

FAA

Finally -- I want to speak to one very important common concern: That the FAA continue to be headed by someone who knows aviation, is committed to safety, and is a proven leader. Our concerns have been met. The President today has nominated General Thomas C. Richards to be the Administrator of the FAA. Tom, could you come up and join me?

Tom Richards is a man who has had a distinguished career in the Air Force, culminating in three years as Deputy Commander in Chief, Headquarters U. S. European Command. A four-star general, he played a key role in the U. S. / Soviet negotiations of the INF treaty, and he served as Commandant of the U. S. Air Force Academy. He served in Korea as an army infantryman and had two tours of duty in Vietnam as an Air Force officer. He has over 5,000 flight hours and 30 years of experience in flying propeller, single, and multi-engine jet aircraft.

Most recently, he has done consulting and strategic planning for a number of major U. S. corporations. And he

gained valuable experience in commercial aviation and security issues, serving as a member of President Bush's commission on Pan Am 103.

Ladies and gentlemen, Tom Richards is a man you will find competent and accessible. And with the consent of the Senate, I hope you have the opportunity to work with him soon. I am looking forward to having him on my DOT team. Tom, would you like to say a few words?

CONCLUSION

Thanks, Tom.

And also I want to say here a word about what a terrific job Barry Harris has done as acting FAA administrator. He is very capable and valued DOT colleague.

We've covered a lot of ground in a pretty short time this afternoon. And there are other areas I'd like to address in the future -- for example, issues particular to general aviation.

But I look forward to working with you -- whether it be in general aviation, commercial or corporate aviation, and with airport operators.

And now, I'd be happy to take a few questions.

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