6.2

SECRETARY SAMUEL K. SKINNER

SPEECHES 1991

OFFICE OF SPEECH WRITING AND RESEARCH

01/23/91	The National Press Club	Washington, DC
02/04/91	FY 1992 Budget Press Conference	
02/05/91	Statement Before the Committee On Public Works And Transportation, Subcommittee On Aviation Concering Competition In The Airline Industry	Washington, DC
02/14/91	New York Chamber of Commerce	New York, NY
02/19/91	Statement Before the Committee on Commerce, Science and Transportation, Subcommittee on Aviation	Washington, DC
02/28/91	Statement Before the Senate Appropriations Subcommittee on Transportation	Washington, DC
03/07/91	Middlesex Club's 124th Lincoln Day Dinner	Boston, MA
03/11/91	Airport Operaotrs Council and / American Association of Airport Executives	Washington, DC
03/11/91	APTA Legislative Conference	Wshington, DC
03/13/91	Settlement of Exxon Valdez Oil Spill Caase	Washington, DC
03/25/91	DOT Diversity Summit	Washington, DC
04/02/91	9th Annual Government/Industry Conference on Terrorism	Washington, DC
04/08/91	1991 Washington Conference **(no remarks required)**	Washington, DC
04/08/91	Infrastructure Symposium	Washington, DC
04/10/91	Advisory Commission On Conferences In Ocean Shipping	Washington, DC

04/12/91	Town Hall of California	Los Angeles, CA
04/19/91	Illinois Commerce Alumni **(no remarks required)**	Chicago, IL
05/22/91	U. S. 110th Coast Guard Academy Commencement	New London, CT
06/14/91	DePage Area Boy Scout Council Distinguished Citizen Luncheon **Text prepared by SKS no copies available**	Oak Brook Terrace, IL
06/17/91	Merchant Marine Academy Commencement Introduction of Vice President Dan Quayle	Kings Point, NY
06/17/91	Merchant Marine Academy Commencement Acceptance of Desert Shield Battle Streamer	Kings Point, NY
06/17/91	Presentation of Operation Desert Storm Medals	Kings Point, NY
06/17/91	Merchant Marine Academy Commencement	Kings Point, NY
06/20/91	British-American Chamber of Commerce	London England
06/21/91	American Association of State Highway and Transportation Officials	Washington, DC
06/22/91	Kellogg Graduate School of Management	Chicago, IL

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SECRETARY SAMUEL K. SKINNER

TALKING POINTS 1991

OFFICE OF SPEECH WRITING AND RESEARCH

01/18/91	Transportation Security Press Conference	Washington, DC
01/22/91	Presentation of Check For Louisville Airport Development	Washington, DC
01/25/91	Introduction To Operation Lifesaver TV Series	Washington, DC
01/28/91	NHTSA Professional Women's Association	Washington, DC
02/01/91	Airline Industry Seminar	Naples, FL
02/04/91	American Enterprise Institute/ House Wednes Group	Washington, DC
02/13/91	Announcement of Surface Transportation Assistance Act	Washington, DC
02/15/91	CEO Breakfast	New York, NY
02/19/91	Committee On Commerce, Science And Transportation	Washington, DC
02/20/91	Testimony, House Public Works And Transportation Committee	Washington, DC
02/21/91	Testimony, House Appropriations Subcommittee On Transportation	Washington, DC
02/22/91	John Paul Hammerschmidt	
02/26/91	Dulles International Arrivals Building Dedication	Dulles Airport, Virginia
02/28/91	Background U.S. Savings Bonds Video	Washington, DC
02/28/91	Testimony, Senate Appropriations Subcommittee On Transportation	Washington, DC
03/05/91	Testimony, Senate Environment and Public Works Committee	Washington, D.C.
03/06/91	New England Council	Washington, D.C.

03/11/91	Human Resources Management Conference	Washington, DC
03/11/91	APTA Legislative Conference	Washington, DC
03/11/91	SKS Heathrow Agreement	Washington, DC
03/13/91	SKS News Conference on Exxon Valdez Agreement at FBI Building	Washington, DC
03/14/91	The Washington Road Gang	Washington, DC
03/21/91	Chicago Regional Employees	Chicago. IL
03/21/91	Chicago Bar Association	Chicago, IL
03/23/91	Gannet Gridiron Luncheon	Washington, DC
03/25/91	Work Force Diversity Summit	Washington, DC
04/03/91	The Business Roundtable	Washington, DC
04/08/91	Infrastructure Symposium	Washington, DC
04/08/91	1991 Washington Conference **Secretary spoke off the cuff**	Washington, DC
04/09/91	World Travel And Tourism Council	Washington, DC
04/11/91	Moving America Conference Introductory Statement/Oz Nelson Introduction	Washington, DC
04/11/91	Moving America Conference Ken Chenault Introduction	Washington, DC
04/11/91	Moving America Conference "Progress Report and Agenda for the Future"	Washington, DC
04/12/91	Metro Green Line Event	Los Angeles, CA
04/12/91	Los Angeles Regional Employees	Los Angeles, CA
04/15/91	Associated General Contractors	Washington, DC
04/16/91	5th Annual Meeting Beer Institute	Washington, DC
04/18/91	Ad Council's Vince and Larry "Buckly-Up" Campaign	
04/22/91	Bright New City Lecture	Chicago, IL
04/24/91	Construction Industry Forum	Washington, DC
04/25/91	NTP Phase 2 Reception	Washington, DC
04/25/91	TWA/AA Route Transfer Decision	Washington, DC

04/25/91	Coalition For America	Washington, DC
04/26/91	Maglev Grant Announcement	Pittsburg, PA
04/29/91	American Business Editors and Writers	Washington, DC
05/02/91	Regional Airline Association	Washington, DC
05/02/91	AXD Management Banquet	Virginia Beach, VA
05/03/91	Buckle Up America! Week	Washington, DC
05/07/91	Truck Renting And Leasing Association	Washington, DC
05/08/91	Young President's Organization	Washington, DC
05/09/91	6th Annual Presidential Distinguished Rank Award Banquet	Washington, DC
05/12/91	College of Commerce Convocation	
05/13/91	National Conference of Highway Safety Priorities "Lifesavers 9"	Charlotte, NC
05/14/91	Hine Junior High Poster/Essay	Washington, DC
05/14/91	Press Roundtable on Aviation Security	Washington, DC
05/15/91	Westchester County Association	Rye Brook, NY
05/16/91	Fact Sheet National Father of the Year Award	New York, NY
05/17/91	National Transportation Week	Washington, DC
05/18/91	Pepperdine University School of Law Commencement	Malibu, CA
05/20/91	"Buckle Up America! Awards	Washington, DC
05/28/91	BellevilleEconomic Progress Inc.	Belleville, IL
05/29/91	Kemper Open Photo Opportunity and PSA	Avenal
05/30/91	Announcing $5 Million Grant to Stewart Airport	Newbirgh, NY
05/31/91	UMTA Conference	Orlando, FL
06/02/91	Traffic Safety Summitt II	Orlando, FL
06/25/91	Principals of the Council for Excellence in Government	Washington, DC
06/25/91	Federal Highway Administration's 2000 Conference	Reston, VA

STATEMENT BY
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
DEPARTMENT OF TRANSPORTATION 1991 AGENDA
INSIDE DOT
JANUARY 1991

The Department of Transportation's 1991 agenda will be shaped by the fundamental principles laid out in the President's National Transportation Policy: enhancing America's competitiveness by investing in infrastructure, expanding market forces in transportation, decentralizing authority to the state and local level, and requiring users to pay a fair share of transportation costs.

Our primary legislative objective for 1991 will be reauthorization of the nation's highway, mass transit, and highway safety programs. Our first priorities will be to increase infrastructure investment and maintain our system of roads and bridges. We will seek to focus federal assistance on facilities of national significance, increase the share of project costs borne by state and local governments while providing them with greater flexibility in the use of federal funds, and eliminate remaining economic regulation of the trucking industry.

In the coming year, we will continue work on maritime reform initiatives, open up U.S.-Canada aviation markets in line with our existing Free Trade Agreement, develop a national policy to reduce aircraft noise, promulgate major rules to implement applicable provisions of the Oil Pollution Act of 1991, and to propose a plan to move Amtrak to self-sufficiency by the year 2000.

TALKING POINTS PREPARED FOR
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
DOT ORIENTATION VIDEO
JANUARY 10, 1991
WASHINGTON, D.C.

- Transportation touches the lives of all Americans.
- DOT oversees all modes of transportation in the U.S.
- So the work we do is critical to America's success.
- Each of you plays an important role at DOT.
- Take your work seriously, but don't take yourself seriously.
- Enjoy the job you've been called on to perform -- -- you're part of a great team at DOT.

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STATEMENT BY
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
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INSIDE DOT
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6.113

U.S. Department of Transportation

News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

Contact: Bob Marx
(202) 366-5580

**STATEMENT BY SECRETARY OF TRANSPORTATION
SAMUEL K. SKINNER
REGARDING TRANSPORTATION SECURITY
JANUARY 11, 1991**

Secretary of Transportation Samuel K. Skinner today reassured the traveling public that the department is taking measures to heighten security awareness with respect to transportation facilities both at home and abroad.

Secretary Skinner said that while there have so far been no signs of increased terrorism activity, "We are taking seriously threats, both explicit and implicit, that have emanated from Iraq in recent days."

Actions being taken include the review and testing of contingency plans for airports, seaports, pipelines and other transportation facilities.

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6.112

TALKING POINTS PREPARED FOR
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
TRANSPORTATION SECURITY PRESS CONFERENCE
JANUARY 18, 1991
WASHINGTON, D.C.

- According to all intelligence information to-date, repercussions of Desert Storm do not currently threaten U.S. domestic or international aviation, or other transportation systems.
- Public needs to know -- it is safe to fly -- based on all reliable information.
- No specific threats, but taking Iraq's threats seriously.
- Emergency action plans now in place, and will continue to monitor closely.
- Gov't has taken all appropriate measures under current circumstances.
- Public should go about its normal business. No need for alarm.
- All U.S. airports operating under FAA's highest level of security precautions.
- But public should accomodate itself to enhanced security environment -- get to airport early, watch luggage contents,

keep eye out for suspicious strangers, unattended bags, etc.

- Admiral Busey will provide details in a moment.
- Admiral Kime will describe Coast Guard's beefed up security measures at U.S. port areas.
- Those flying abroad should call State Department Citizen Emergency Center for current travel advisories. Hotline number is 202-647-5225.
- Want to stress U.S. airlines are taking security steps above-and-beyond foreign carriers -- Americans should have no hesitation to fly on U.S. carriers.

6.111

U.S. Department of Transportation

News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

Contact: Bob Marx
Tel.: (202) 366-5580

STATEMENT BY SECRETARY OF TRANSPORTATION
SAMUEL K. SKINNER
REGARDING LIQUIDATION OF EASTERN AIRLINES

January 19, 1991

The liquidation of Eastern Air Lines brings to a close a significant chapter in the rich history of commercial aviation. Famed aviator Eddie Rickenbacker founded Eastern as one of the four original airlines that started the industry in the 1930's, and Eastern was in the forefront of many airline innovations.

Eastern's departure will cause some difficulties. Its dedicated employees and their families will be particularly hard hit. However, according to the latest data compiled by the Department, Eastern had only a 3.0 percent share of the U.S. airline industry in October 1990. I therefore do not expect significant disruptions or a decrease in airline competition. Competition is vital to U.S. leadership in world markets, and I expect the industry to remain highly competitive.

The Department will continue to review applications for the transfer of certain remaining Eastern routes, including Miami/Tampa to Toronto, Pittsburgh to Toronto, Baltimore/Washington to Ottawa/Montreal and New York/Newark to Montreal/Ottawa.

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TALKING POINTS PREPARED FOR
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
PRESENTATION OF CHECK FOR LOUISVILLE AIRPORT DEVELOPMENT
JANUARY 22, 1991
LOUISVILLE, KENTUCKY

- Delighted to be in Louisville with Senator Wendell Ford, who has done so much for aviation in the United States.
- As Chairman of Senate Aviation Subcommittee, he plays major role in setting aviation policy for country.
- Senator Ford is one of most knowledgeable persons I know on aviation issues and someone whose advice and counsel I seek often.
- A year ago, at the request of Senator Mitch McConnell, I met here in Louisville with members of the Airport Board and others interested in the expansion and development of this airport.
- Both Senators Ford and McConnell have been very instrumental in pushing along the development of Standiford Field.

- Happy to be here today to launch this $250 million airport improvement program for Standiford Field.
- Project involves two new parallel runways with associated taxiways, lighting, and major land acquisition.
- Will provide increased capacity with parallel runway configuration to serve passengers and the significant cargo operations at this airport.
- Also will pay great dividends in economic growth in this region.
- Both Senators recognize, as does the local leadership in Louisville and Jefferson County, that a well developed airport is a tremendous asset to the economy of this region.
- Commend Louisville Mayor Jerry Abramson, Jefferson County Judge Executive Dave Armstrong, other local and state officials, and airlines who have joined in the project.

- Excellent example of federal, state, local and private sharing as advocated in the National Transportation Policy.
- Significant that local team has raised over $100 million in local resources which will be applied to the project.
- Am announcing today that the FAA has committed to a letter of intent with the regional airport authority of Louisville and Jefferson County to fund $126.4 million of the development costs over the next several years.
- Brought check for $17.5 million with me today to get you started.
- This check includes $7.5 million in discretionary funds.
- And coupled with the commitment in the letter of intent brings the total federal support to $143.9 million.
- Project will be built with 57 percent federal participation.

- This will keep the Louisville Airport Improvement Program on the cutting edge of airport development in the 1990s.
- DOT is proud to join your partnership.
- Thank you very much.

6.109

U.S. Department of Transportation

News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

Contact: Marion C. Blakey
Tele.: (202) 366-4570

REMARKS PREPARED FOR DELIVERY BY
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
THE NATIONAL PRESS CLUB
JANUARY 23, 1991
WASHINGTON, D.C.

The last time I had the opportunity to be here was about a year ago just after the release of the President's National Transportation Policy. I commented then on the incredible pace of change taking place throughout the world. Even then, none of us would have imagined that a year later the United States would be engulfed in a major war in the Middle East.

The outcome of Desert Storm, and the fortunes of our men and women involved in the conflict -- including our prisoners of war -- are our foremost concerns. The Department of Transportation has contributed to the effort from the beginning. The United States Coast Guard is, of course, directly involved in the campaign. We have also worked closely with the United States Transportation Command, assisting in the task of transporting our armed forces and materiel overseas.

Indispensable to Transcom's mission has been the ocean-going Ready Reserve Force and the Civil Reserve Air Fleet, both of which are administered by the Department of Transportation. Operation Desert Shield marked the first time ever that these important components of our national defense were called into active duty. To date, the RRF has activated 69 vessels, delivering almost thirty percent of the total supplies carried by sea for Desert Storm. The airlift component has involved 79 civilian aircraft making twenty three hundred flights, and transporting 256,000 people.

The enormous size and unprecedented international effort that is Desert Storm may prove to be the springboard of a new world order. It certainly underscores the revolutionary changes occurring in the world today. Our thoughts continue to be focused on the men and women serving in the Persian Gulf, and we will do everything possible to support their valiant efforts. At the same time, other events in the world require our attention. One of these matters is the revolution that began more than twelve years ago in the airline industry.

Airline deregulation was launched in 1978, and ushered in a decade of competition and consumer savings unsurpassed in the history of the industry. With deregulation having accomplished so much throughout the 1980s, *we must stay the course in the coming decade as the industry continues to restructure. The Bush Administration is firmly committed to deregulation, and is prepared to take aggressive steps to ensure that the level of airline competition remains high in the 1990s.*

Every credible analysis of airline competition in the 1980s has declared deregulation a success. Last year, the Department of Transportation released the results of the most comprehensive assessment of deregulation to date. And our ongoing analyses following that 13-volume study confirm that deregulation has provided major benefits for American travelers.

First, airline travel is much less expensive. As this chart demonstrates, real airline fares have declined by an average of 28 percent since 1981. Second, because air travel is now accessible to millions of low- and middle-income Americans, the number of people who travel on scheduled airlines in the United States has increased 65 percent since deregulation. It is important to note that last month almost 92 percent of the new travelers flew on discount fares. Third, passengers enjoy a wider choice among airlines, and more frequent service. Three times as many passengers now travel in truly competitive markets -- those served by three or more airlines -- than did in 1978.

Finally, deregulation left untouched the safety responsibilities of the Federal Aviation Administration. As the National Transportation Safety Board confirmed last Friday, accident and fatality rates have declined steadily since the 1960s. And 1990 was the safest ever.

In light of these conclusions -- not to mention the results of studies by others, such as the Brookings Institution -- it is remarkable that some still argue that deregulation was a bad idea and ought to be reversed. *It is time to declare the deregulation debate over and get on with the challenges of the 1990s.*

Of course, at the present moment, the U.S. airline industry is struggling through a difficult time. Eastern flew its last flight last week. Two airlines are currently operating under the protection of bankruptcy courts. Airlines are not covering operating costs. And all this has led to the largest flurry of proposed transactions among airlines in history.

Future generations may well look back on the 1990s as the decade of restructuring in the U.S. airline industry. But this consolidation, already underway in the 1980s, should not be considered an indictment of airline deregulation. It is, rather, an inevitable result of the market forces unleashed by the Airline Deregulation Act of 1978. The reason so much seems to be happening at the present time is that several factors have recently combined to accelerate the restructuring of the U.S. airline industry.

Number one, as a result of the slowdown of the U.S. economy, the demand for domestic air travel has increased very little in the past year. This sluggish growth has come at a time when airlines have added new planes and new services. That is simply not a prescription for making money.

Number two, the cost of jet fuel rose dramatically following Iraq's invasion of Kuwait in August. Jet fuel is the second largest component of the industry's operating costs. Each one cent increase in the cost of a gallon of jet fuel imposes an extra $164 million on the industry.

Number three, deregulation -- based as it is on the principles of a free market -- allowed airlines greater latitude. Some airline executives and their companies never quite adjusted to the rigors of the marketplace, and suffered accordingly. Others took on massive and excessive debt, and have found it difficult to service that debt in a slow economy. In some respects, airline management and the investment community are themselves responsible for the industry's current situation.

Number four, most airlines have not been able to bring their labor costs under control. For example, the *average* salary for one carrier's pilots and copilots is $114,000. The *average* salary for its maintenance workers is approximately $51,000. Pilots and copilots industry-wide make $90,000 on average. That's five times what the average American worker earns. For all airline employees -- including reservation agents, ticket clerks, janitors, and baggage handlers -- the average employee earns approximately *twice* the national average.

These wages are not the product of a strictly free market. When pilots at one major airline average $114,000 a year, while pilots with similar experience and ability at another airline average $58,000 a year, one might question whether something is seriously out of balance in the airline labor market.

Today's market is still distorted by vestiges of the era of regulation which allowed airlines to pass on uneconomically high costs, such as those required by the Railway Labor Act of the 1930s. Outdated legislation contains, among other things, never-ending procedures to resolve disputes, and allows for secondary boycotts. The market is further distorted by the simple fact that a strike is especially devastating to an airline, whose customers can, and will, quickly switch to a competitor's flights.

I believe *these distortions have created an unhealthy environment for the consumer.* In contrast to other industries, airline managers and their employees appear to be oblivious to the long range consequences for the industry caused by an imbalance in power between labor and management. *In the end, of course, the consumer loses.* Either consumers must pay for high industry salaries through higher fares, or airlines will continue to hemorrhage financially.

One thing is certain: consolidation is no grounds for panic. There may well be fewer major airlines in the 1990s than there were at the end of the 1980s. But even *if* this happens, *we have every reason to believe that robust competition will continue.* Under a deregulated system of hub-and-spoke networks and low barriers to entry, existing carriers can serve virtually any market in the nation. As a consequence, competition should continue to thrive.

It is likely that, as the industry consolidates further, some of the lowest fares in the market may disappear. All of us, as consumers, appreciate the low fares produced by the almost desperate marketing strategies that we've seen in the current downturn. But we also know that unrealistically low prices are a bad bargain in the long run. Unless airlines are able to cover their costs, they eventually have to go out of business. And *right now, there is not an airline in the country that is covering its operating costs.* As this chart shows, the U.S. airline industry is estimated to have lost $2 billion in 1990.

When airline fares go up in the near future, consumers should understand that the increase will not be a product of deregulation. They must understand that -- had it not been for deregulation -- fares would be much higher than they are at present. But fares must be compensatory in the long run, or the consumer will continue to suffer from the growing pains of an industry that is continuing to shake off the distortions imposed by decades of regulation -- decades of arbitrary and undisciplined economics.

The actual extent to which prices change will depend to a great degree on the willingness of labor and management to work together to protect the industry against an excessive and destructive wage and benefit pattern. But it is clear that prices *will* change.

As the industry continues to restructure, *every consumer has my pledge that the Department of Transportation will take aggressive steps to sustain and enhance airline competition* in this country. That is one of my highest priorities as Secretary of Transportation.

Let me now give you an overview of our policy goals for the airline industry, both domestically and in the international arena.

Number one, much has been said in recent months about foreign investment in U.S. airlines. The rules governing foreign ownership or control of domestic airlines are derived from a statute that dates back to the 1930s.

Given the role that our airline industry has played in Operations Desert Shield and Desert Storm, there should be no mystery about one of the major reasons for those requirements. In times of national emergency, the United States must have immediate access to far more airlift capacity than our military maintains, and the citizenship requirement in our law ensures the availability of this essential transport capability.

Those requirements also represent a necessary response to the highly regulated nature of international aviation, in which landing rights are parceled out through narrowly drawn bilateral agreements. If we are to maintain the leverage we need to open more foreign markets to U.S. carriers, we have to maintain oversight of the extent to which foreign carriers enjoy access to *our* market through investments.

That said, it is essential in a time when international aviation is changing so much, that we guard against going beyond the restrictions necessary to achieve these important objectives. We have therefore reexamined our application of the "control" test to ensure that it's fully consistent with today's realities.

It is likely that *we will see, over time, a genuine globalization of airline companies*, much as we have seen in so many other industries. That means more than merely landing in as many countries as possible. It means establishing a genuine, fully competitive presence in all of the world's most important aviation markets.

The first steps toward that development can be seen today in the important linkages that airlines from different countries are forging with each other in a quest for more effective marketing tools. One means of establishing such linkages is the medium of investment.

It is essential that our international aviation policy acknowledge this trend and respond to it effectively. *U.S. carriers must stay ahead of the pack in the move toward globalization.*

We have concluded that one of the important steps we can take in this connection is to create an environment more receptive to foreign investment in the U.S. airline industry. To that end, we have decided to refine our interpretation of the foreign ownership statute. We will no longer consider total foreign *equity investment*, by itself, to be an indicator of foreign *control* if it is less than 50 percent of total equity. And we will not consider debt financing obtained from foreign sources as a potential means of control, provided the loan agreement confers no extraordinary rights on the foreign lender.

Regarding foreign directors and officers, there is no need to formulate more stringent limits as we have done in the past. Instead, we will allow foreign membership on airline boards to reflect their voting stock ownership -- as long as it satisfies the statutory ceiling, and as long as representatives of foreign airlines do not take part in decisions affecting competition. Our recent order relating to the transaction between Continental and Scandinavian Air was consistent with this approach.

In announcing these changes, I want to emphasize that I am not now calling for any change in the statute, since I am not persuaded yet that such changes are warranted, and because statutory amendments require careful consideration and debate within the Congress. Thus, existing ceilings on foreign ownership of voting stock and citizenship requirements for officers and directors will have to be complied with.

In line with this approach, *I am pleased to announce that the Department of Transportation is issuing an order today which will allow KLM to maintain a significant investment in Northwest Airlines.* It is appropriate that this decision involves an investment by a carrier whose government has entered into a very liberal aviation relationship with the United States. Our decision clarifies, and in significant ways relaxes, the restrictions on foreign investment that are the product of past interpretations.

Taken together, these changes will allow U.S. airlines to attract additional foreign capital. They will not compromise national security, and they will not diminish our ability to foster a more open and competitive international aviation marketplace.

Number two, an important Administration policy goal is to place even greater emphasis on the importance of safeguarding the competitiveness of the U.S. industry.

Because so many foreign governments continue to limit the number of U.S. carriers that may fly to their cities, the Department of Transportation -- even in 1991 -- is required to select particular U.S. carriers to serve particular foreign routes. We will seek ways of streamlining the Department's traditional carrier selection process -- the procedures for choosing U.S. carriers to serve newly established international routes. At present, it is a time-consuming, expensive, and inefficient process. I want to examine a range of potential improvements, from simplifying the evidentiary phases of the case to more fundamental changes. *Everything we do will be aimed at increasing the level of airline competition in this country and abroad.*

At the same time, there is now a lively "secondary market" for international routes. In this market, carriers that obtained their rights from DOT seek to sell them to other carriers. I believe that *the market can be an effective means of allocating international route authority*, as long as the transactions are consistent with competition and the economic health of the U.S. airline industry. Recent experience in route transfer cases are impressive: every transaction approved by DOT has produced a net dividend for the public. Two prominent examples are Pan Am's sale of its Pacific routes to United in 1985, and Eastern's sale of its Latin American routes to American last year.

For these reasons, we are also exploring ways of streamlining and making more efficient our review of these transactions. The critical benchmark, again, will be competition. But where there are no impediments to competition, or where a transaction promises to enhance competition, our disposition is likely to be favorable.

Number three, the Department of Transportation issues exemptions from our antitrust laws permitting airlines, both U.S. and foreign, to enter into agreements that fix the price of air travel to and from the United States. It is time to address some serious questions about our exercise of that authority -- particularly in light of our attempts to liberalize not only our own market but also the world aviation market.

For example, is it appropriate for a nation championing competition to continue to permit these agreements to affect the cost of travel to and from our territory? What consequences would flow from a refusal to extend continued antitrust immunity to these agreements? How would our trading partners react? These are delicate questions, of course, but I see no way to avoid raising them. They will have to be taken up in a proceeding already pending before the Department.

Number four, we are committed to removing barriers to entry into the airline business. If we can ease barriers to entry -- such as inadequate airport capacity -- the loss of one or more airlines will not necessarily mean less competition. That gets to the heart of how important last year's aviation reauthorization was. It was the most significant aviation legislation since deregulation in 1978. It will enhance aviation capacity by allowing localities to raise money for expanding their airport facilities or build new ones. We will soon propose rules to put this legislation into effect. They will deal with anti-competitive, long term gate leases with individual airlines that have acted as barriers to entry.

Two other efforts to lower barriers to entry deserve mention. Many argue that the system of slots in effect at four of our major airports makes new entry at those airports extremely difficult for small carriers. To deal with this problem, the Department of Transportation will soon propose a rule that will address the ability of new entrants to gain access to these airports.

We will also propose a rule exploring ways to eliminate certain anti-competitive practices involving computer reservation systems. The rule would allow use of additional software and hardware, as well as greater ability for travel agents to use several computer reservations systems.

Number five, many have asked whether it might be appropriate to allow foreign airlines to compete in the U.S. market and to allow U.S. airlines to compete in foreign markets. This could be one important way, it is argued, to increase airline competition in the United States even in the face of a consolidating U.S. airline industry.

Late last year, I announced jointly with Canadian Transport Minister Doug Lewis that our two governments would soon begin negotiating toward the establishment of a truly open U.S.-Canadian aviation market. In the course of those negotiations, we said the question of internal market access -- called "cabotage" -- would be addressed. I believe that those negotiations -- due to begin in a couple of months -- will serve as an important crucible for the testing of the cabotage proposition.

Number six, I said a year ago that we would take steps to extend the benefits of domestic deregulation to international travel. New bilateral agreements with Japan and the United Kingdom, our liberalization discussions with the Canadian government, today's foreign investment order, and our Cities Program are key examples of the progress we've made. Under the Cities Program, *I can announce that today we have approved KLM's request to provide the only nonstop service to the continent of Europe from Minneapolis.* That's good news for Minneapolis and for the ever-expanding world of international aviation.

The Department's efforts will be important -- and controversial -- but alone, they will not be enough. Airline management must continue to look beyond our borders, whether by flying internationally themselves or by entering into agreements with foreign carriers. Management will have to renew its entrepreneurial spirit, just as it did in the 1980s when it met the challenges of deregulation -- and created opportunity, rather than simply waiting for it to happen.

In some respects, airline executives have failed to look beyond the next quarter. And some have not hesitated to ask the U.S. government -- which means the American taxpayer -- to bail them out. It should come as no surprise that I have not looked with favor on these requests. Airlines are permitted to earn and keep their profits. They should not expect the taxpayer to bear their losses.

As for airline labor, it must look at the realities of the industry, and determine whether greater wage demands are in its own best interests. It is essential that the industry come to grips with the high cost of paying its employees. Failure to do so will ensure that no one wins: not *employees*, whose jobs will be placed at risk; not *airlines*, who may be forced out of business; and certainly not *consumers*, who will ultimately foot the bill through higher fares.

As the sad experience of Eastern Airlines demonstrates, there are no winners when labor and management do not work together. At Eastern, something went awry in the labor/management relationship. And the result is the demise of a great American carrier.

But let me say unequivocally that we in the Department of Transportation look forward to the decade ahead with optimism. *Our task will be to use the tools at our disposal to spur along the stunning success of deregulation here in the United States, and to extend its benefits throughout the world.* I look forward to working with the Congress to achieve this goal.

Perhaps *no policy initiative in the nation's history better unleashed America's entrepreneurial spirit than deregulation.* Our nation was built by the vigor and ingenuity of pioneers -- not by the obtrusive and overbearing hand of government. The key to our success has been the premium we have placed on industriousness and innovation. That's where we're pinning our hopes, and expectations, for the U.S. airline industry.

Of course, the rough and tumble of the marketplace does not produce lasting results overnight. It takes patience. But no one has better mastered that marketplace than Americans. We face challenges, to be sure. The world *is* undergoing revolutionary change. But *I have complete confidence the U.S. airline industry will weather its own revolution to maintain its world-leadership position into the 21st century.*

Thank you very much.

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SAMUEL K. SKINNER

SECRETARY OF TRANSPORTATION

REVOLUTION IN THE AIRLINE INDUSTRY: Present Challenge and Future Promise

Address to
The National Press Club
January 23, 1991
Washington, D.C.

6.108

REVOLUTION IN THE AIRLINE INDUSTRY: Present Challenge and Future Promise

The last time I had the opportunity to be here was about a year ago just after President Bush released the National Transportation Policy. I commented then on the incredible pace of change taking place throughout the world. Even then, none of us would have imagined that a year later the United States would be engulfed in a major war in the Middle East.

Our Men and Women in the Persian Gulf

The outcome of Desert Storm, and the fortunes of our men and women involved in the conflict -- including our prisoners of war -- are our foremost concerns. The Department of Transportation has been contributing to the effort from the beginning. The United States Coast Guard is, of course, directly involved in the campaign. We have also worked closely with the United States Transportation Command, assisting in the task of transporting our armed forces and materiel overseas.

Indispensable to Transcom's mission have been the ships of the Ready Reserve Force and the Civil Reserve Air Fleet, both of which are administered by the Department of Transportation. Operation Desert Shield marked the first time ever that these important components of our national defense were called into duty in a multiple activation. To date, the RRF has activated 69 vessels, delivering almost thirty percent of the total supplies carried by sea for Desert Storm. The airlift component has involved 79 civilian aircraft making twenty three hundred flights, and transporting 256,000 people.

The enormous size and unprecedented international effort that is Desert Storm may prove to be the springboard of a new world order. It certainly underscores the revolutionary changes occurring in the world today. Our thoughts continue to be focused on the men and women serving in the Persian Gulf, and we will do everything possible to support their valiant efforts. At the same time, other events in the world require our attention. One of these matters is the revolution that began more than twelve years ago in the airline industry.

The Deregulation Revolution

Airline deregulation was launched in 1978, and ushered in a decade of competition and consumer savings unsurpassed in the history of the industry. With deregulation having accomplished so much throughout the 1980s, *we must stay the course in the coming decade as the industry continues to restructure. The Bush Administration is firmly committed to deregulation, and is prepared to take aggressive steps to ensure that the level of airline competition remains high in the 1990s.*

Every credible analysis of airline competition in the 1980s has declared deregulation a success. Last year, the Department of Transportation released the results of the most comprehensive assessment of deregulation to date. And our ongoing analyses following that 13-volume study confirm that deregulation has provided major benefits for American travelers.

First, airline travel is much less expensive. Real airline fares have declined by an average of 28 percent since 1981. Second, because air travel is now accessible to millions of low- and middle-income Americans, the number of people who travel on scheduled airlines in the United States has increased 65 percent since deregulation. It is important to note that last month almost 92 percent of new travelers flew on discount fares. Third, passengers enjoy a wider choice among airlines, and more frequent service. Three times as many passengers now travel in truly competitive markets -- those served by three or more airlines -- than did in 1978.

Finally, deregulation left untouched the safety responsibilities of the Federal Aviation Administration. As the National Transportation Safety Board confirmed last Friday, accident and fatality rates have declined steadily since the 1960s. And 1990 was the safest ever.

In light of these conclusions -- not to mention the results of studies by others, such as the Brookings Institution -- it is remarkable that some still argue that deregulation was a bad idea and ought to be reversed. *It is time to declare the deregulation debate over and get on with the challenges of the 1990s.*

Restructuring Was Inevitable

Of course, at the present moment, the U.S. airline industry is struggling through a difficult time. Eastern flew its last flight last week. Two airlines are currently operating under the protection of bankruptcy courts. Airlines are not covering operating costs, let alone debt service and return on equity. And all of this has led to the largest flurry of proposed transactions among airlines in history.

Future generations may well look back on the 1990s as the decade of restructuring in the U.S. airline industry. But this consolidation, already underway in the 1980s, should not be considered an indictment of airline deregulation. It is, rather, an inevitable result of the market forces unleashed by the Airline Deregulation Act of 1978. The reason so much seems to be happening at the present time is that several factors have recently combined to accelerate the restructuring of the U.S. airline industry.

Present Factors Accelerating Consolidation

Number one, as a result of the slowdown of the U.S. economy, the demand for domestic air travel has increased very little in the past year. This sluggish growth has come at a time when airlines have added new planes and new services. That is simply not a prescription for making money.

Number two, the cost of jet fuel rose dramatically following Iraq's invasion of Kuwait in August. Jet fuel is the second largest component of the industry's operating costs. Each one cent increase in the cost of a gallon of jet fuel imposes an extra $164 million on the industry.

Number three, deregulation -- based as it is on the principles of a free market -- allowed airlines greater latitude. Some airline executives and their companies never quite adjusted to the rigors of the marketplace, and suffered accordingly. Others took on massive and excessive debt, and have found it difficult to service that debt in a slow economy. In some respects, airline management and the investment community are themselves responsible for the industry's current situation.

Number four, most airlines have not been able to bring their labor costs under control. For example, the average salary for one carrier's pilots and copilots is $114,000. The average salary for its maintenance workers is approximately $51,000. Pilots and copilots industry-wide make $90,000 on average. That's five times what the average American worker earns. For all airline employees -- including reservation agents, ticket clerks, janitors, and baggage handlers -- the average employee earns approximately twice the national average.

These wages are not the product of a strictly free market. When pilots at one major airline average $114,000 a year, while pilots with similar experience and ability at another airline average $58,000 a year, one might question whether something is seriously out of balance in the airline labor market.

Today's market is still distorted by vestiges of the era of regulation which allowed airlines to pass on uneconomically high costs, such as those required by the Railway Labor Act of the 1930s. That outdated legislation contains, among other things, never-ending procedures to resolve disputes, and allows for secondary boycotts. The market is further distorted by the simple fact that a strike is especially devastating to an airline, whose customers can, and will, quickly switch to a competitor's flights.

Looking Out for the Consumer

I believe these distortions, if they continue, will create a most unhealthy environment for the consumer. In contrast to other industries, airline managers and their employees appear to be oblivious to the long range consequences for the industry caused by an imbalance in power between labor and management. *In the end, of course, the consumer loses.* Either consumers must pay for high industry salaries through higher fares, or airlines will continue to hemorrhage financially.

One thing is certain: consolidation is no ground for panic. There may well be fewer major airlines in the 1990s than there were at the end of the 1980s. But even if this happens, *we have every reason to believe* *that robust competition will continue.* Under a deregulated system of hub-and-spoke networks and low barriers to entry, existing carriers can serve virtually any market in the nation. As a consequence, competition should continue to thrive.

It is likely, however, that as the industry consolidates further, some of the lowest fares in the market may disappear. All of us, as consumers, appreciate the low fares produced by the almost desperate marketing strategies that we've seen in the current downturn. But we also know that unrealistically low prices are a bad bargain in the long run. Unless airlines are able to cover their costs, they eventually have to go out of business. *And right now, there is not an airline in this country that is covering its operating costs.* In fact, the U.S. airline industry is estimated to have lost $2 billion in 1990. That is more money than the industry has ever made in a single year.

Rising Fares Not Due to Deregulation

When airline fares go up in the near future, consumers must understand that the increase will not be a product of deregulation. They must understand that -- had it not been for deregulation -- fares would be much higher than they are at present. But fares must be compensatory in the long run, or the consumer will continue to suffer from the growing pains of an industry that is continuing to shake off the distortions imposed by decades of regulation -- decades of arbitrary and undisciplined economics.

The actual extent to which prices change will depend to a great degree on the willingness of labor and management to work together to protect the industry against an excessive and destructive wage and benefit pattern. But it is clear that prices will change.

As the industry continues to restructure, *every consumer can be assured that the Department of Transportation will take aggressive steps to sustain and enhance airline competition in this country.* That is one of our highest priorities.

Let me now give you an overview of our policy goals for the airline industry, both domestically and in the international arena.

Administration Policies to Sustain Competition

#1: Foreign Investment

Number one, much has been said in recent months about foreign investment in U.S. airlines. The rules governing foreign ownership or control of domestic airlines are derived from a statute that dates back to the 1930s.

Given the role that our airline industry has played in Operations Desert Shield and Desert Storm, there should be no mystery about one of the major reasons for those requirements. In times of national emergency, the United States must have immediate access to far more airlift capacity than our military maintains. And the citizenship requirement in our law ensures this availability.

Those requirements also represent a necessary response to the highly regulated nature of international aviation, in which landing rights are parceled out through narrowly drawn bilateral agreements. If we are to maintain the leverage we need to open more foreign markets to U.S. carriers, we have to maintain oversight of the extent to which foreign carriers enjoy access to our market through investments.

That said, it is essential in a time when international aviation is changing so much, that we guard against going beyond the restrictions necessary to achieve these important objectives. We must continue to be the world leader in opening markets and expanding the opportunities for aviation. With this in mind, the Department has reexamined our application of the "control" test to ensure that it's fully consistent with today's realities.

It is likely that we will see, over time, a genuine globalization of airline companies, much as we have seen in so many other industries. That means more than merely landing in as many countries as possible. It means establishing a genuine, fully competitive presence in all of the world's most important aviation markets.

The first steps toward that development can be seen today in the important linkages that airlines from different countries are forging with each other in a quest for more effective marketing tools. One means of establishing such linkages is the medium of investment.

It is essential that our international aviation policy acknowledge this trend and respond to it effectively. *U.S. carriers must stay ahead of the pack in the move toward globalization.*

We have concluded that one of the most important steps we can take in this connection is to create an environment more receptive to foreign investment in the U.S. airline industry. To that end, we have decided to refine our interpretation of the foreign ownership statute. We will no longer consider total foreign equity investment, by itself, to be an indicator of foreign control if it is less than 50 percent of total equity. And we will not consider debt financing obtained from foreign sources as a potential means of control, provided the loan agreement confers no extraordinary rights on the foreign lender.

Regarding foreign directors and officers, there is no need to formulate more stringent limits as we have done in the past. Instead, we will allow foreign membership on airline boards to reflect their voting stock ownership -- as long as it satisfies the statutory ceiling, and as long as representatives of foreign airlines do not take part in decisions affecting competition. Our recent order relating to the transaction between Continental Airlines and Scandinavian Air was consistent with this approach.

In announcing these changes, I want to emphasize that I am not now calling for any change in the statute, since I am not persuaded yet that such changes are warranted, and because statutory amendments require careful consideration and debate within the Congress. Thus, existing ceilings on foreign ownership of voting stock and citizenship requirements for officers and directors will have to be complied with.

In line with this approach, *I am pleased to announce that today the Department of Transportation is issuing an order which will allow KLM to maintain a significant investment in Northwest Airlines.* It is appropriate that this decision involves an investment by a carrier whose government has entered into a very liberal aviation relationship with the United States. Our decision clarifies, and in significant ways relaxes, the restrictions on foreign investment that are the product of past interpretations.

Taken together, these changes will allow U.S. airlines to attract additional foreign capital. They will not compromise national security, and they will not diminish our ability to foster a more open and competitive international aviation marketplace. In fact, they will enhance it.

#2: Selecting Carriers for Foreign Routes

Number two, an important Administration policy goal is to place even greater emphasis on the importance of safeguarding the competitiveness of the U.S. industry.

Because so many foreign governments continue to limit the number of U.S. carriers that may fly to their cities, the Department of Transportation -- even in 1991 -- is required to select particular U.S. carriers to serve particular foreign routes. We continue to seek ways to streamline the Department's traditional carrier selection process -- the procedures for choosing U.S. carriers to serve newly established international routes. At present, it is a time-consuming, expensive, and inefficient process. We want to examine a range of potential improvements, from simplifying the evidentiary phases of the case to more fundamental changes. *Everything we do will be aimed at increasing the level of airline competition in this country and abroad.*

At the same time, there is now a lively "secondary market" for international routes. In this market, carriers that obtained their rights from DOT seek to sell them to other carriers. *I believe the market can be an effective means of allocating international route authority*, as long as the transactions are consistent with competition and the economic health of the U.S. airline industry.

For these reasons, we are also exploring ways of streamlining and making more efficient our review of these transactions. The key test, again, will be competition. But where there are no impediments to competition, or where a transaction promises to enhance competition, our disposition is likely to be favorable.

#3: Antitrust Laws

Number three, the Department of Transportation issues exemptions from our antitrust laws permitting airlines, both U.S. and foreign, to enter into agreements that fix the price of air travel to and from the United States. It is time to address some serious questions about our exercise of that authority -- particularly in light of our attempts to liberalize not only our own market but also the world aviation market.

For example, is it appropriate for a nation championing competition to continue to permit these agreements to affect the cost of travel to and from our territory? What consequences would flow from a refusal to extend continued antitrust immunity to these agreements? How would our trading partners react? These are delicate questions, of course, but I see no way to avoid raising them. They will have to be taken up in a proceeding already pending before the Department.

#4: Barriers to Entry

Number four, we are committed to removing barriers to entry into the airline business. If we can ease barriers to entry -- such as inadequate airport capacity -- the loss of one or more airlines will not necessarily mean less competition. That gets to the heart of how important last year's aviation reauthorization was. It is deemed by many to be the most significant aviation legislation since deregulation in 1978. It will enhance aviation capacity by allowing localities to raise money for expanding their airport facilities or build new ones. We will soon propose rules to put this legislation into effect. They will deal with anti-competitive, long term gate leases with individual airlines that have acted as barriers to entry.

Two other efforts to lower barriers to entry deserve mention. Many argue that the system of slots in effect at four of our major airports makes new entry at those airports extremely difficult for small carriers. To deal with this problem, the Department of Transportation will soon propose a rule that will address the ability of new entrants to gain access to these airports.

We will also propose a rule exploring ways to eliminate certain anti-competitive practices involving computer reservation systems. The rule would allow use of additional software and hardware, as well as greater ability for travel agents to use several computer reservations systems.

#5: Cabotage

Number five, many have asked whether it might be appropriate to allow foreign airlines to compete in the U.S. market and to allow U.S. airlines to compete in foreign markets. This could be one important way, it is argued, to increase airline competition in the United States even in the face of a consolidating U.S. airline industry.

Late last year, I announced jointly with Canadian Transport Minister Doug Lewis that our two governments would soon begin negotiating toward the establishment of a truly open U.S.-Canadian aviation market. In the course of our talks, we said the question of internal market access -- "cabotage" -- would be addressed. I believe that our negotiations --

due to begin soon -- will serve as an important crucible for the testing of the cabotage proposition.

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Responsibilities of Management

The Department's efforts will be important, and controversial. But alone, they will not be enough. Airline management must continue to look beyond our borders, whether by flying internationally themselves or by entering into agreements with foreign carriers. Management will have to renew its entrepreneurial spirit, just as it did in the 1980s when it met the challenges of deregulation -- and created opportunity, rather than simply waiting for it to happen.

In some respects, airline executives have failed to look beyond the next quarter. And some have not hesitated to ask the U.S. government -- which means the American taxpayer -- to bail them out. It should come as no surprise that I have not looked with favor on these requests. Airlines are permitted to earn and keep their profits, and they're entitled to earn a fair return on their investment. They should not, however, expect the taxpayer to bear their losses.

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As for airline labor, it must look at the realities of the industry, and determine whether greater wage demands are really in its own best interests. It is essential that the industry come to grips with the high cost of paying its employees. Failure to do so will ensure that no one wins: not employees, whose jobs will be placed at risk; not airlines, who may be forced out of business; and certainly not consumers, who will ultimately foot the bill through higher fares.

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Looking Ahead with Optimism

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Thank you very much.

6.107

REMARKS PREPARED FOR
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
INTRODUCTION TO OPERATION LIFESAVER TV SERIES
JANUARY 25, 1991
WASHINGTON, D.C.

I'm Secretary of Transportation Sam Skinner. The Bush Administration's number one transportation priority is safety. That includes the nation's one hundred eighty thousand public railroad crossings. Historically, these crossings have been the source of an unusually high rate of highway fatalities and accidents.

But ever since Operation Lifesaver was launched in 1974, we have seen the numbers go way down. Deaths at improved rail crossings have dropped 88 percent. Injuries have fallen 62 percent. All told, we estimate that Operation Lifesaver has saved over sixty five hundred lives, and prevented twenty eight thousand injuries. That's great progress, but we can do much more.

And that's where law enforcement comes in. We need your continued help. Of course, law enforcement deserves a lot credit for the success of Operation Lifesaver to date. Engineering improvements are also a key reason for the increase in safety. But we believe that further progress depends to a considerable degree on enhanced law enforcement.

That's where this series can help. I salute the Law Enforcement Television Network for making it available to police officers across the nation. It's an important follow-up to the Department of Transportation's Traffic Safety Summit held last year.

I urge you to watch this entire series. It will give you important information on how to enforce laws governing railroad crossings. And it'll help you better respond to collisions at these crossings. In most of these collisions, motorists simply ignore active warning devices. Enhanced law enforcement would get the motorist's attention, and alert him or her to the dangers of rail crossings. In the end, we'll save more lives and prevent many more injuries.

So, to all law enforcement personnel listening to this broadcast, let me say: YOU CAN MAKE A DIFFERENCE. Please stay tuned to this series.

Thank you very much.

6.106

TALKING POINTS PREPARED FOR
SECRETARY OF TRANSPORTATION SAMUEL K. SKINNER
NHTSA PROFESSIONAL WOMEN'S ASSOCIATION
JANUARY 28, 1991
WASHINGTON, D.C.

- Thank Jerry Curry for introduction.

- Pleased to speak to NHTSA Professional Women's Association, only professional organization in DOT that has been working for several years to assist in career advancement for women.

- Wife is a lawyer, so I have some sensitivity to problems and challenges facing professional women.

- You asked me to speak on the issue of "breaking through the glass ceiling."

- I am committed to open and fair hiring and promotion practices.

- I participated in a "listening session" on diversity and heard women discussed concerns about the glass ceiling.

- They talked about the problems of secretaries who, regardless of how bright, talented, well educated or highly motivated, cannot advance past GS-7.

- They talked about GS-14 and 15 professional women who, in the past, have found the doors to the SES harder to open
- So,.what kind of incentive does that offer?
- Can report that women comprise 12 percent of SES in DOT and that's better than the government average.
- Also, in the last year women in grades 12-15 increased from 3,500 to 4,600. Progress but still far to go.
- Workforce diversity is one of my highest priorities in 1991.
- Will have a Workforce Diversity Summit in Washington in March to hash things out, seek solutions.
- I've made workforce diversity considerations a criteria in every management job performance rating.
- Workforce diversity doesn't mean we are going to lower our standards. It's going to call forth the untapped energies of minorities, women and others.

- Our commitment to strengthen the transportation infrastructure on which rests our economic future and all the other goals of NTP cannot be met if we do not learn to manage our resources better. Must start at DOT by managing our human resources better.

- Best management tactic is to give your employees a chance to grow and progress. Everyone of the nearly 110,000 employees of DOT will have that opportunity.

- Thank you for the brownbag award and keep up the good work. I am glad to be associated with everyone of you.