



INFORMATION

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President Sliwa, Graduates of the Class of 1994, Faculty and Honored Guests:

I am honored to be a part of this commencement exercise here at Embry Riddle. When I first began thinking about what I would say to the Class of 1994, I had a much more light-hearted message in mind.

I know that all of you are very excited about entering a field as dynamic and fast changing as aviation. But as the tragic accident on Tuesday evening reminds us, taking a job in aviation means taking on a heavy responsibility for others.

And as the next generation of aviation professionals, you will discover, as I have, that whatever job you hold in this industry -- safety must always come first. It is our highest priority.

And it has also been one of our greatest achievements.

We tend to think of aviation progress in terms of bigger and faster aircraft. But gains in aviation safety have been even more impressive. And without these gains, our industry could never have come so far in so short a time.

I signed on with a major airline in the early sixties, just as aviation was making the transition from prop-planes to jet planes. Since those early days, I have seen air travel grow from 50 million passengers a year to more than 500 million. It is set to reach 800 million passengers by the beginning of the new century.

Every decade since the sixties has produced vast improvements in airframes, engines, avionics, and air traffic control technology. The result is that today passengers travel by air more safely, at lower cost, and with less impact on the environment than ever before.

Yet more can and will be done. No one should be surprised if the advances during the next quarter-century equal or surpass all the progress we have seen over the past three-quarters.

You can help make this happen.

This morning I'd like to offer my thoughts about the forces which are shaping the aviation industry today ... forces which will determine its form in the years immediately ahead ... and which are certain to influence the job prospects of the Embry Riddle Class of 1994.

Today I'm going to discuss how the changing structure of the airline industry, the quickening pace of globalization, and our re-thinking of the role of government will all affect the job market in aviation.

Until a few years ago, aviation was dominated by giant corporations. Whenever you thought of our industry, names such as American and United, Boeing and McDonnell Douglas came immediately to mind. That is where the jobs were. At least most of the high paying, prestigious jobs.

A successful career in aviation was measured by how well you did in one of these great corporations. One investment banker ¹ refers to this as the "cult of the big company." Somehow people felt they counted for more if they worked for one of these huge business empires. Your own sense of personal worth was a direct reflection of the status of your employer.

The cult of the big company still exists in Europe, I understand. But not so much in the United States. Not any more. Airline deregulation and the changing economics of the industry have re-written the rules of the game.

The giants are still around. But there is room for competitors. There is opportunity for anyone willing to start small and move fast.

You hear talk -- mostly from Wall Street analysts -- that the airline business is mature. Which is a polite way to say it's moribund.

But as Jack Welch ² of General Electric says -- "Mature isn't just an adjective anymore. It's an excuse for not finding growth."

¹Financial Times, December 6, 1994. "Cult of the big company: an interview with European venture capitalist Peter Brooke."

² John F. Welch, Jr. "Global Competitiveness: America in the Eye of the Hurricane." Address to the Economics Club of Detroit. Reprinted in Vital Speeches, September 15, 1994

And you do not have to look far to find where the airline business is growing. Just look at the airports serving the low-cost carriers and regional airlines.

Look, for example, at Baltimore Washington International.

Long overshadowed by its two rivals -- Washington National and Dulles -- Baltimore is now the fastest growing airport in the United States. Traffic is up forty percent over what it was a year ago.

What made all the difference was the arrival of competing low-fare, no frills carriers. The budget fares are luring travelers from all the nearby states -- Virginia and West Virginia, Pennsylvania and Delaware.

Someone has called Baltimore the "Price Club" of airports.

And the bargains are coaxing people who might otherwise have driven their cars ... and even people have never flown before. Nearly 40 percent of first-time fliers buy the tickets on the low-cost carriers.

In a decade which has discovered the economic benefits of low-fare air travel, that's where the business is. And so are the jobs.

While most of our major carriers are still struggling financially, many of the smaller airlines are thriving. And hiring new employees as they continue to expand.

One start-up carrier turned a profit only four months after it started flying and is filling about 90 percent of its seats. It's about to add five new routes and nine new planes.

Five years ago, the low-cost, no-frills airlines had a tiny sliver of total market share. But next year, that share is expected to be about 15 percent.

These new carriers are succeeding because they offer air travel at the cost of a Greyhound bus ticket. Now, even the Greyhound line in Canada is planning to get into the low-fare airline business.

To me, this radical transformation of the industry does not look like sluggish maturity. Not when air travel grew this year at a rate double what the FAA forecast it would be.

Not when so many new carriers are taking to the skies. Last year alone, 13 airlines entered the U.S. market. The FAA approved 18 new entrants this year, and a number of other applications are pending.

The dozens of small carriers which have come into existence the past several years remind me of that time -- a century ago -- when there were some 300 auto makers offering their cars on the market.

That, we know, was at the dawn of the automobile industry in this country. And the proliferation of new airlines makes me wonder if we are not now at the dawn of a new era for our own industry.

If you look at the aircraft flown by these new start-up carriers you see another major change -- another trend of enormous significance.

Many of the airplanes are foreign-made, especially the smaller jets and the turboprops. But even those made by Boeing and McDonnell Douglas are assembled from components manufactured in many parts of the world.

It used to be, in the 1950s, that airplanes had strong national identities. Boeing 707s were American. Comets were British. Caravelles were French.

And the flag carriers of each nation stuck with their home-country's aircraft. To fly your own was almost an act of patriotism.

That strong bond has long been broken.

Today airplanes are a lot like automobiles. They are products of truly global origin. The MD-80, for example, is assembled from parts made by suppliers in China, Austria, Australia and Japan. The MD-11 contains components from Spain, Italy, Japan and Korea.³ Similarly, Airbus uses 29 firms in 18 countries. And Boeing has its own global network of suppliers.

Today, anywhere from 18 to 32 percent of the content of a commercial aircraft is of foreign origin. And we can expect a substantial increase in that percentage in the years ahead. Country of origin is coming to mean less and less in the emerging global economy.

³ John Wolf, McDonnell Douglas Corporation. "The Ancient Art of Globalization." Address delivered at the Singapore Air Show, 1994. Reprinted in Vital Speeches, May 1, 1994.

Just like Japanese and German auto makers setting up plants in the U.S. -- the government of Indonesia has announced its intention to manufacture a new turboprop here in this country.

This powerful trend toward global integration has some very important implications for any of you who are interested in working in the aircraft industry.

Once, if you told someone you were an aircraft designer, you could expect to be asked how you liked the weather in Seattle. That's less likely now. Today, aircraft manufacturing is becoming much more decentralized. More dispersed.

Jobs are found, not just in the giant firms, but in the many smaller companies which are now competing in the global marketplace. And you can work just about anywhere in the world, regardless of where your employer is located.

I hope that we're about to see a wave of small company start-ups in the general aviation sector -- now that we have at last succeeded in reforming the product liability law. I know there are a lot of people in the industry with exciting ideas for new products. Now they have a better, fairer chance of getting these to market.

But all this energetic expansion has not happened without creating some problems. Especially for the FAA with its many regulatory responsibilities. Our skies and airports are crowded with planes built all over the world and flying the colors of new airlines. It is a fiercely competitive industry. And fierce competition demands from the FAA an equally fierce determination to maintain the highest standards of aviation safety.

It is the nature of our industry that safety is the dominant competitive issue. No airline ... no aircraft manufacturer ... and no government can tolerate slipshod practices which endanger passengers.

The long-term growth of aviation requires steadfast public confidence in the safety of aviation. It is the obligation of everyone in the FAA and of every aviation professional to make sure that confidence is maintained.

The revolutionary changes which I have been describing to you today -- the surge in the number of low-fare and regional carriers, the rapid introduction of new types of commercial aircraft, and the globalization of aircraft manufacturing -- all these developments have placed heavy new responsibilities on the FAA.

We have to keep up with these changes, and to prepare for the growth we know is still to come.

This year, air traffic controllers handled more than 60 million take-offs and landings. With the growth we expect in the next two decades, total aircraft operations could increase another 40 to 60 percent.

This is the reasoning behind President Clinton's proposal to transfer air traffic control out of the FAA to a new type of government corporation.

Right now the FAA handles both air traffic control and the regulatory functions of licensing, inspection and certification. Air traffic is a service with many of the characteristics of a business. We think it should be run like a business ... as a separate government corporation financed -- not with tax payers' dollars -- but with fees charged to those who use its services.

The new corporation would have the flexibility to adapt to the ever shifting dynamics of the industry. And it would have the financial resources to keep pace with the steadily evolving technology. This fact is especially critical as we make the momentous and costly transition to a space-based air traffic control system with its dependence on satellites, digital communications, and highly sophisticated automation.

The corporation is also important, I believe, to the 1994 graduating class of Embry-Riddle. Because it will be a magnet for the best and the brightest technical professionals. It will offer opportunities as exciting and as challenging as any you will find in the industry.

And the FAA, more sharply focussed than ever, will lead the way in creating new career specialties in safety and security.

We're already investing heavily in future technologies which will revolutionize the way do our work. We're developing powerful new tools and data bases to put in the hands of highly skilled professionals dedicated to safeguarding the public's trust in the integrity of our aviation system.

So as new graduates of Embry-Riddle, you have a remarkable array of choices -- choices which did not exist just a few years ago.

Choices created when both government and industry set out to shake off the past and re-invent themselves for the future.

It's a great opportunity to be just starting out in an industry that is just starting over.

I wish you well.