



DEPARTMENT OF TRANSPORTATION

NEWS

OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20590

OPENING STATEMENT, CINCINNATI PRESS CONFERENCE, NETHERLAND HILTON HOTEL,
FEBRUARY 11, 1972, 4:15 p.m.

I am pleased to announce today the authorization of Federal funds for several urban transportation projects here in Cincinnati. These projects comprise phase one of the City's \$1.9 million Urban Corridor Demonstration Program. As you know, the Cincinnati City Council voted day before yesterday to implement this first phase -- which includes:

- A park-n-ride lot for bus service from the Beechmont Mall Shopping Center;
- Bus route changes to accomodate the new lot;
- Continuation of the "sun run" express bus project; and
- Additional bus shelters.

Members of my staff will begin negotiations soon to determine the appropriate Federal funding share for each project. I would expect that several portions of the phase-one plan will receive 100 percent Federal funding.

Cincinnati is one of 11 metropolitan areas in the Nation participating in the Urban Corridor Demonstration Program. The corridor here is located east of the City, generally bound by the Ohio River on the south and I-71 on the north.

We are going ahead with this project because it includes a number of innovative ideas, such as the park-n-ride lot, which utilize existing systems to provide efficient multi-modal transportation. Also, it involves several different governmental agencies -- in line with the sort of intergovernmental cooperation we are trying to foster.

The entire Cincinnati program -- five phases, of which this is the first -- will include expanded express bus service, a new bus loop in the downtown area, bus terminals, more park-n-ride lots, bus shelters, and street intersection improvements to reduce bottlenecks.



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12-DOT-72

REMARKS BY U.S. UNDER SECRETARY OF TRANSPORTATION JAMES M. BEGGS, BEFORE
THE NATIONAL SECRETARIES ASSOCIATION, TOUCHDOWN CLUB, WASHINGTON, D.C.
MONDAY, FEBRUARY 14, 1972

Good evening. I am grateful for this opportunity to speak to the Capitol Chapter of the National Secretaries Association. I understand that today's presentation is NSA's program of the year and you have as your 1972 theme, "The Romance of Transportation." It is unlikely that I would have a more appropriate audience nor a more apt theme for a Valentine's Day address.

Undoubtedly, the theme itself conjurs up sights and sounds of the past...the crack of the wagon-master's whip...the slap of river boat's paddle wheel...the distant wail of the steam whistle...the low-lying trail of white smoke following the speeding train...all visions of a romantic past.

But all the romance of transportation is not in the past...the world-roving jets...the Caribbean cruise...the lazy houseboat vacation on a peaceful back waterway...the automobile trip to a favorite resort are all part of today's romance of transportation. Even the man-in-the-moon has become the men on the moon! All part of man's never-ending search for mobility. And let me quickly reassure you, I'm using "man" only in the generic sense, because women have been and will continue to be a significant factor in the Nation-wide development and use of transportation.

Probably woman's first incursion into the operating world of transportation, was her traditional place on the back pedals of a bicycle built for two. From this position women moved quickly forward...not merely to the front seat, but to a truly major role in influencing trends in transportation. Trains were to become more comfortable...dining and sleeping facilities were added. Automobiles were enclosed, and styling became important...upholstery became fancier and dozens of convenience accessories soon became standard equipment. Some called it "the woman's touch," but it was considerably

more than that...it was the direct influence of the vast number of women who had truly become transportation users in their own right. For the first time, they were determining the shape of things to come in the transportation world.

It was inevitable that women would not long be satisfied to be mere users of transportation...nor should they be. Today women are among the developers of transportation practices and policies both within the government and in private enterprise. In keeping with the Nixon Administration policy to attract qualified women to government, Secretary John Volpe, myself and the modal administrators within the Department of Transportation have set forth an action plan to significantly increase the number of career women in key, policy-making positions.

When I say that an "action plan has been set forth," I, and the Department of Transportation are not talking in the nebulous terms of floating pieces of paper that never seem to come into actual being. I'm speaking of "action" plans that have been and are continuing to be implemented. For instance, our Director of Consumer Affairs is a woman...there are several woman members of both the National Transportation Safety and Contract Appeals Boards...the Deputy Director of Community Relations for the Office of the Secretary and the Manager of Headquarter Operations for the Federal Aviation Agency are both women...and so it goes, on and on. All high-level, policy-making positions. True, the list isn't endless, but it is substantial...and we have found the results are impressive.

In the area of transportation practices, again, women have made significant inroads. Perhaps most noticeably in careers previously occupied by men...air traffic control specialists, engineers, electronic maintenance technicians and aviation safety investigators...to mention only a few.

In the more conventional areas of female employment, the Department hires more than 2500 secretaries with annual earnings ranging from GS-5's at \$7300 to GS-12's earning as much as \$20,000. Nor do the possibilities end there. Department of Transportation secretaries are continually participating in numerous training programs and government-financed extension courses at schools and universities in order to up-grade their skills and broaden the scope of their career potential. It is not unusual, therefore, to see Department secretaries moving into entirely new career fields on the management and supervisory levels.

But don't think for a minute that all these career fields are restricted by geographical limitations. They're not. Aside from the fact that there are more than 125 locations within the United States, the operations of the Department are world-wide. So in our sense, transportation can mean travel. Travel to more than forty locations throughout the world...from Taiwan to Tehran and from Tokyo to Tegucigalpa.

Nor are Department of Transportation career opportunities limited in their spheres of influence. Land, sea or air are all fully represented, because the Department has brought under a single administrative roof transportation functions formerly spread throughout more than 30 offices of the Federal Government.

For those who want to stay on dry land, the Department has four administrations concerned with surface transportation. The Federal Railroad Administration oversees the entire rail transportation field, with particular emphasis on railroad safety, the development of high-speed ground transportation, and the operation of the Federally-owned Alaska Railroad.

The Federal Highway Administration is undertaking the continuing construction of more than forty thousand miles of a National System of Interstate and Defense Highways. It is also cooperating with States and local communities on improving secondary roads and major urban streets.

The Urban Mass Transportation Administration is, in a sense, the real "people movers" of the Department. Its job is to facilitate the development and implementation of the various transportation networks in urban areas...to bring mobility to the inner cities.

The National Highway Traffic Safety Administration is charged with fulfilling the most comprehensive traffic safety program in history. Mainly, in an all out effort to reduce the appalling fifty-five thousand plus highway death toll each year.

For the perhaps more venturesome who like to feel the tang of salt-spray on their face...or at least like to think about it, (and I'm sure your Certified Professional Secretary International President, Angeline Krout can verify this) the U.S. Coast Guard affords the opportunity. It's their job to promote safety at and on the inland waterways. It also serves as the Nation's maritime law enforcement agency.

The government-owned Saint Lawrence Seaway Corporation, operating jointly with the Canadians, the canal and lock system of the St. Lawrence Seaway is also for the sea-minded.

For those who find both land and sea mundane...for those who really want to fly, figuratively, of course, there's the Federal Aviation Administration. It's up to them to keep the airways safe, keep the airports operating and to develop a sound civil aviation program for the entire Nation.

Of course, there are always going to be those who aren't satisfied with a lot of land, or a lot of sea, or even a lot of air...the

National Transportation Safety Board is an independant government agency receiving administrative support from the Department of Transportation, but reporting directly to the Congress. Its responsibility is reducing accidents, determining the cause of accidents and promoting safety in all modes of transportation.

So you see, the Department of Transportation is doing everything possible to improve all means of transportation for all of the people. In his State of the Union Address, President Nixon said: "Historically, our transportation systems have provided the cutting edge for our development. Now, to keep our Country from falling behind the times, we must keep well ahead of events in our transportation planning." Then he added, "A quality which has always been a key to progress is our special bent for technology, our singular ability to harness the discoveries of science in the service of man." And, in conclusion, "Above all, we must not lose our capacity to dream, to see, amid the realities of today, the possibilities for tomorrow. And then...if we believe in our dreams...we must also wake up and work for them." This kind of thinking is the maispring of romance in our technological age. The challange itself, is part of the romance of transportation. There's not much more the Department can do to enhance it, but we do have a wide spectrum of career opportunities for women that can help perpetuate the romance of transportation.

Thank you.



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41-DOT-72

ADDRESS BY ROBERT HENRI BINDER, ACTING ASSISTANT
SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS,
U.S. DEPARTMENT OF TRANSPORTATION, BEFORE THE
FIRST WORLD CONGRESS ON AIR TRANSPORTATION AND
TOURISM - MADRID, SPAIN

APRIL 17, 1972

PERSPECTIVE ON THE ROLE OF AIR TRANSPORTATION IN BUILDING TOURISM

Your **E**xcellency, Minister Sanchez-Bella, Minister Salvador Benjumea, other Ministers, Director Tarruella, esteemed Government officials and honored guests, ladies and gentlemen, it is an honor and a privilege for me to address so many distinguished leaders of international aviation and representatives of the consumers of the service of international air transportation. I bring you greetings from John Volpe, Secretary of Transportation of the United States Government. I join him in praising the Government of Spain for its initiative in hosting this First World Congress on Air Transportation and Tourism and in expressing confidence that this important gathering will result in a major contribution to the advancement of air tourism.



U.S. INTERNATIONAL TRANSPORTATION EXPOSITION
DULLES INTERNATIONAL AIRPORT * MAY 27-JUNE 4, 1972

The U.S. Department of Transportation was created as a new Cabinet department five years ago to exercise leadership in the development of transportation policy. In confirmation of this responsibility, it was selected by President Nixon in 1969 to lead an inter-agency review of United States international aviation policy. That review resulted in a new statement of international air transportation policy of the United States which was approved by President Nixon in June 1970. That policy statement is particularly relevant to this Congress, since it reflects a major orientation toward the interests of the consumer of air transportation service, and particularly the air tourist. For example, one portion of that statement concluded that the "United States should work for the broadest range of potentially profitable services designed to appeal to the broadest consumer market and based on the lowest cost of operating an efficient air transportation system." Another part of the policy statement observed that "charter service by scheduled and supplemental carriers has been useful in holding down fare and rate levels and expanding passenger and cargo markets and can provide low-cost transportation of a sort fitted to the needs of a significant portion of the traveling public." These findings led the Policy Statement to conclude that "charter services are a most valuable component of the international air transportation system, and they should be encouraged." Of course, the Policy Statement recognized the vital importance of scheduled transportation service, and concluded that "both scheduled carriers and supplemental carriers should be permitted a fair opportunity to compete in the bulk transportation market.

International tourism on a large scale is a fairly recent and welcome addition to the world scene. It provides great opportunities for new experiences for the people of the world, and aids in achieving the understanding between peoples and nations that we all steadily seek. International tourism is, in addition, a big business which is becoming more and more important in the international accounts of nations. The major factor that has made all this possible is the development of international aviation. The steady increase in service levels and aircraft speeds, together with more efficient lower cost aircraft leading to lower fares, has made international travel open to more and more of the population of the world.

The original scheduled services of the pioneer international airlines made all of this possible, and it was natural that extension of scheduled services should serve as the forerunners of the wave of international tourism. It was principally Europeans, however, who discovered and exploited the potential for chartered services for holiday excursions and paved the way for the transatlantic charter flights that have provided a combination of price and service that previously was not available.

Today, some contend that there are two distinct markets for international air travel: one associated with scheduled services and another associated with charter services. There are undoubtedly those travelers who need or prefer the dependability of scheduled services, even if it is more costly than charter travel. Indeed, many tourists prefer the flexibility that comes with the use of scheduled airlines.

On the other hand, there clearly is a group of travelers that would not fly if there were no lower priced, less flexible chartered services. It is this group of tourists, and those who would be attracted to air travel by even lower fares, that intrigue the proponents of international tourism.

Between these two poles of the air travel market, there appears to be a great middleground of travelers who would, under certain conditions, travel on their vacation either on scheduled or charter services. Scheduled carriers compete for this group, and indeed lay claim to it, on the grounds that they must attract these tourists to maintain year-round dependable scheduled service. Charter carriers claim equally strongly that all tourists should be free to make their own decision and buy the combination of service and price that they desire.

Competition between scheduled and charter services is intensive, and generally beneficial, serving as a prod to better service and lower prices. But this competition has of late become more urgent, requiring the attention of the leaders of international aviation. Indeed, the program of this First World Congress confirms this international concern and demonstrates that there remain questions to be resolved concerning rates and the relationship between scheduled and charter services. We believe that the appropriate resolution of these questions of competition will redound to the general encouragement and development of international tourism. This First World Congress has the opportunity to make a substantial contribution to the resolution of these unresolved questions, and the United States

to endorse the deliberations and consultations that will take place here during the next several days.

As one contribution to the deliberations that are scheduled to follow, there are certain observations that I would like to offer.

First, with regard to the level and character of air fares, it is clear that there is a direct relationship between the level of fares and the extent and growth of air tourism. The volume of travel at discount scheduled fares, and the tremendous growth of international charter travel at low charter prices, proves that this relationship exists. But as scheduled carriers have striven to serve the tourist market with fares competitive to charter fares, certain questions and problems have arisen. One relates to the question of discrimination between some scheduled passengers and others; to what extent do some scheduled passengers subsidize the travel of others, and to what extent is such cross-subsidation proper? Again, to what extent do deep discount scheduled fares fail to reflect the costs of carrying such passengers, and how much of a departure from a cost-based rate is appropriate?

The International Air Transportation Association is scheduled to meet this summer and among the issues before those carriers will be those questions I have just raised. I trust that the exchange of views over the next several days during this First World Congress may be helpful to the IATA carriers. However, I believe it important also that the scheduled carriers be told, by interested governments, in advance of their meeting, what criteria will be applied by those governments with respect to any new IATA rate package, including the type of cost justification that may be required. For example, to what extent should IATA fares be governed by the cost of providing the service? To what extent should fares decline with distance - the taper principle? To what extent should fares be related to optimal load factors which are determined in advance by reference to length of haul and market density? And to what extent is it feasible and appropriate to develop an appropriate fare structure curve for international air transportation which could be used as a reference point for defining the zone of reasonableness for each basic international fare?

Within the past months, the Civil Aeronautics Board has been given new authority to reject or suspend international air rates that transgress certain regulatory criteria. This authority is similar to that already held by European governments. And I believe that this new authority should be used sparingly, giving the widest appropriate latitude to the play of market forces. But, with this new authority, the CAB will be able to look at IATA rate proposals in a new light. For, if an IATA proposal transgresses the statutory criteria and is suspended or rejected, the CAB now has the authority to enforce appropriate rate floors so as to avert the potential harmful consequences of uncontrolled and excessive open rate competition.

With respect to the question of the relationship between scheduled and charter services, I note that one of the panels of this Congress is scheduled to consider this subject directly. Clearly, the establishment of an appropriate balanced relationship between these services is one of the most pressing issues facing international air transportation today. Consistent with the statement of policy approved by President Nixon in 1970, we have urged the identification of appropriate criteria to determine when scheduled or charter services are threatened with substantial impairment sufficient to justify governmental protective action in the public interest. Much work remains to be done to identify these criteria, and I expect that the various interested agencies of the United States Government will be actively addressing this question in the months to come. Some principles seem to be clear already. One is that the public interest may not require governmental intervention toward the preservation or growth of current levels of scheduled airline capacity across the North Atlantic. Another is that if charter services are to be restricted in order to afford a measure of protection to a vital level of scheduled service, such restrictions should apply to all charter services in the affected market, whether rendered by U.S. supplemental-carriers, European charter specialists, or on or off route charter operations of scheduled carriers. And a third principle that seems clear is this: when we have established the vital level of scheduled and charter operations that is entitled to claim government protection from the effects of competition, charter and scheduled competitors in that market should be free from governmental restrictions as long as the substantial impairment of vital services is not threatened.

As many of you know, it was almost a year ago that my Department proposed one way to identify the level of scheduled services that might be entitled to claim government protection from substantial impairment. We then suggested that the level of scheduled traffic moving at normal economy and first-class fares was that vital

level. These suggestions have been made to stimulate a dialogue, and I am pleased that several major carriers have recently responded to that invitation to dialogue. I was also heartened recently when the United States reached agreement with members of the European Civil Aviation Conference to establish working groups that will address this question. The international discussions that will be held in the next several months hopefully will resolve many of the concerns that have led to restrictions on charter services that will be found to be unjustified. Also hopefully, the exchanges of views in the next several days will make important contributions to this analytical process. Ultimately, I believe international agreement will be reached on the extent to which scheduled services require governmental protection from the competitive impact of charter operations. And I say again that a corollary of such agreement should be that when the unacceptable impact is not threatened, charter services should be permitted to grow freely to meet the public demand.

Our interest in the resolution of these important questions involving international rates and the relationship between scheduled and charter services underlies our endorsement of the purposes of this First World Congress on Air Transportation and Tourism. While we obviously cannot endorse in advance any conclusions that may result from the discussions to be held, we believe that the furnishing of this opportunity for discussion is a most constructive step toward the resolution of these outstanding problems.

We again applaud the purposes of this Congress, and we look forward to participation in the proceedings about to follow.

I'd also like to take this opportunity to urge all of you to visit TRANSPO 72 at Dulles International Airport. It's the largest industrial exposition in the world and the first such event ever sponsored by the United States. The U.S. dominates the world transport aircraft market, but this overwhelming leadership is being challenged right now. This challenge, with all of its aspects, is evident at TRANSPO 72.



DEPARTMENT OF TRANSPORTATION

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WASHINGTON, D.C. 20590

69-DOT-72

REMARKS BY ROBERT HENRI BINDER, DEPUTY
ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL
AFFAIRS, DEPARTMENT OF TRANSPORTATION, BEFORE
THE FLIGHT TRANSPORTATION LABORATORY OF
MASSACHUSETTS INSTITUTE OF TECHNOLOGY- JULY 21, 1972
WATERVILLE, NEW HAMPSHIRE

"INTERNATIONAL AIR TRANSPORT AND FEDERAL POLICY"

I am pleased to be a part of this afternoon's seminar on
International Air Transport and Federal Policy. I see from the program
that you will be hearing not only from the Executive Branch of the
Federal Government but also from the Civil Aeronautics Board and
from the U.S. side of the industry.

International air transportation is somewhat unique from a
policy standpoint. A Statement of International Air Transportation Policy
was approved by the President in 1970, replacing an earlier statement
of several years prior vintage. This new Policy Statement is taken by
the Executive Branch and other parts of the Federal Government as
establishing policy guideposts for future U.S. participation in the
international air transportation industry.

For our purposes this afternoon I think it would be useful to use the 1970 Policy Statement as the backdrop for my remarks. Given the two years since the Policy Statement was approved, it's appropriate to take a look at what has happened in the intervening years, whether the policy has been effectively implemented, and whether there are particular problems or developments which should now be taken into account. My staff in the Department of Transportation recently completed a preliminary review of the implementation of the Policy Statement during the last two years, and I have included this in the materials I have distributed today. You may find it a useful context for my remarks and a possible basis for your questions.

The 1970 Policy Statement covered a number of policy issues. I do not intend to touch on each of them in my opening remarks this afternoon, although I will be happy to try to respond to questions on any aspect of the Policy Statement.

Rather, I would like to concentrate this afternoon on the 4 or 5 issues that I think are of greatest current concern, and which may serve as the best focus for discussion during the next hour or so.

I. A policy issue of the highest priority for the Federal Government at this time is the question of aircraft hijackings, both domestic and international. In 1970, the Policy Statement noted that the purposes of the Policy Statement overall could not be realized until aircraft hijackings are stopped. It went on to say that by any standard air piracy is reprehensible, and that we support measures designed to end this terrible practice. It may be useful for you to have a tabular description of the pattern of international conventions which have been negotiated to deal with the threat of aircraft hijacking. I have had such a table prepared and it is included in the papers I have distributed. We are now actively seeking to add to this group of conventions further international agreement on sanctions to be applied to a nation that refuses to extradite or prosecute a hijacker, or otherwise flouts internationally standards of conduct.

President Nixon has assigned to the Secretary of Transportation the responsibility to coordinate the Government's overall program in this area, and to the Department of State the responsibility for coordinating the international aspects of it. Pursuing these responsibilities, Secretary Volpe proposed to the ICAO Council in December of 1971 that agreement be reached to apply a boycott to nations that refuse to extradite or prosecute a hijacker. Although the ICAO Council at that time adopted the proposed resolution, progress has not been satisfactory within ICAO, and the United States has called a meeting of the concerned nations in September of this year to make another strong effort to accomplish international agreement in this important area.

II. The relationship of scheduled services and charter services.

Perhaps the most contentious feature of the 1970 Policy Statement was its treatment of the competitive relationship between charter services and scheduled services. In the years preceding the 1970 Statement of Policy, charter services had begun to become an important feature of the international air transport market, largely brought on by the competitive pressures of the supplemental carriers who had been granted certificates by the CAB to engage solely in charter operations. It had always been true, you should understand, that scheduled operators were free to engage in charter operations both on the routes where they operate scheduled services and to some extent even off those routes. But these charter rights of the scheduled operators had not been exercised to any substantial degree until the supplemental carriers - charter specialists - began to aggressively develop the market for this type of air transportation.

A moment ago, I characterized this section of the Policy Statement as the "most contentious." This was because it was taken wholly accurately, to be an endorsement of charter services. And there is clear language in the Policy Statement which finds value in charter services - whether those charter services are operated by scheduled operators or by supplemental carriers or other charter specialists.

As the Policy Statement puts it "charter services by scheduled and supplemental carriers have been useful in holding down fare and rate levels and expanding passenger and cargo markets. They offer opportunities to exploit the inherent efficiency of planeload movement in the elasticity of demand for international air transport. They can provide low cost transportation of the sort fitted to the needs of the significant portion of the traveling public. Charter services are a most valuable component of the international air transportation system, and they should be encouraged."

This is not to say that there was not an even stronger endorsement of scheduled services in the Policy Statement. What was significant about the 1970 Policy Statement was that it gave as much recognition to charter services as it did, for this marked a departure from the prior policy statement that had been adopted under the Kennedy Administration. As far as scheduled services were concerned, the Policy Statement had quite a bit to say: "scheduled services are of vital importance to air transportation and offer services to the public which are not provided by charter services. Only scheduled services are expected to offer regular and dependably frequent schedules, and provide extensive

flexibility in length of stay, and maintain worldwide routes, including routes to areas of low traffic volume. Substantial impairment of scheduled services could result in travelers and shippers losing the ability to obtain these benefits."

Given this recognition that both types of services had value to the traveling public, the Policy Statement concluded that each type of service should receive appropriate government protection if the service was threatened with substantial impairment.

Another aspect of this part of the Policy Statement deserves note. It was quite explicit in the constraint that should be put upon government interference with the use and growth of charter services. As the Statement put it: "The widespread public acceptance of charters warrants care in taking any restrictive actions. A determination whether to impose restrictions upon charter services should consider principally the extent to which the ability to obtain frequent and regular travel would otherwise be prejudiced. If it is necessary to restrict charter services (because of their impact on scheduled services), the restrictions should be the minimum necessary to have the required effect."

I would not be overstating the case to say that the relationship between scheduled and charter services continues to be one of the key, if not the dominant competitive question in international air transportation today, certainly across the North Atlantic, and in other markets as well.

Before discussing these issues, it might be useful to do so in the context of some statistics which show how these markets have grown. A table which I have included in the materials that I have distributed traces the growth of the charter and scheduled markets from the years 1968 through 1971, and shows to what extent the charter growth is attributable to supplementals and to other charter operators whether they be IATA members or foreign charter specialists.

Let me say a word about this chart. It would be wrong to think that all of the so-called bulk transportation market travels on charter services. For some years now, the scheduled carriers have offered fares that are aimed at attracting groups of scheduled passengers, often at rates which are directly competitive with charter rates. Consequently a substantial part of the traffic on scheduled services as shown on this chart includes the kinds of passengers who would also be interested in flying on a charter flight, and indeed might well be flying on a charter flight but for the competitive aspects of the service and price offered by scheduled operators. Naturally, the converse is true: many charter passengers might well prefer scheduled service, given

an equivalently low price. And the Policy Statement recognizes these relationships, and states that: "Both scheduled carriers and supplemental carriers should be permitted a fair opportunity to compete in the bulk transportation market."

There is something striking about the growth of the charter markets. Notwithstanding the impressive upward slant over the past several years, it has taken place in the face of a tremendous variety of governmental restrictions, all designed to keep this growth under check.

We have recently had occasion in the Department to make a summary of the different ways that we and other governments have chosen to restrict the use of charter travel, and I have included that tabulation in your materials as well. They vary from outright prohibition on charter flights to explicit numerical quotas on the number of charter flights that may be operated into a country (generally these prohibitions and limitations are addressed at the charter specialist. As I indicated earlier, on-route charter operations by scheduled operators are generally allowed without restriction by governments). Other restrictions have to do with the quality of service that you can offer, or the number of stops you must make, or the price that you must charge, or the relationship between the passengers that must exist before they can travel as a group.

The differences between these existing restrictions, many of which predated the 1970 Policy Statement, and the teachings of that Policy Statement, are rather clear. That Policy Statement puts at issue the continuation of any such restrictions unless they can be justified and shown to be necessary to protect or preserve the convenience that only regular scheduled service can provide. Yet I am frank to say that virtually none of these restrictions have ever been justified in these terms, and indeed I would venture to predict that not many of them would survive such an exercise.

Since 1970, there have been a number of moves within the Federal Government to implement the teachings of this part of the Statement. On the international diplomatic front, the State Department has taken the fruits of an interagency drafting effort and attempted to interest countries in negotiation of bilateral charter agreements, agreements that would provide for the regular operation of charter services.

On another front, efforts have been made to identify what it is about the operation of scheduled services that is entitled to governmental protection, or that would serve as the justification for the restrictions on charter services that are now maintained by so many governments. This is the effort to identify what aspects of scheduled services, or what level of scheduled operations, should be protected from substantial impairment, consistent with the public interest, within the meaning of the President's Statement of Policy.

Our progress in this front has not been encouraging. The Department has proposed on several occasions to the Civil Aeronautics Board that an investigation be instituted that would address this issue, and upon which appropriate regulations might be based to apply whatever justifiable restrictions on charter services were found to be warranted. The Board has not instituted any such investigation. Indeed, before Congress recently, the General Counsel of the Board testified that he thought that such an investigation would be fruitless. I am not sure I fully understand that testimony. If he was suggesting that there is no way to identify what it is about scheduled service that the government should protect, I don't understand how we can justify any restrictions on charter services, at least in a priori sense. If the Board is saying that damage to scheduled service can only be measured on an ex post facto basis, then restrictions should be lifted until their reimposition is justified. Or experiments should be tried, where their impact could be measured.

As we see it, all restrictions on charter travel are tools to be applied to achieve an objective. Unfortunately, it's easy to become fascinated by the manipulating and sharpening of the tools. We believe we should first concentrate on exactly what it is we want to achieve, and then select the tools to do the job. Relevant to this issue, we do have the view of the Board on the issue of substantial impairment, at least as far as prior years are concerned. In the recently released decision of the Board concerning renewal of transatlantic supplemental certificates, the Board found that there was no substantial impairment of scheduled services for the years up to and through 1970. This conclusion of the Board appeared to be based upon findings that there had been no diversion of traffic or revenue from scheduled services, notwithstanding the strenuous arguments of the scheduled airlines in that case that substantial impairment had indeed taken place.

Apart from CAB proceedings, the Executive Branch is currently engaged in discussions with European countries in an effort to identify on a statistical basis what level of scheduled operations does represent the minimal desired level of scheduled service in the public interest,

and the relationship of various charter concepts and rules to such a minimal level. If this level can be identified and agreed upon, we believe it will serve as a benchmark for the application of appropriate restrictions on charter operations to the extent that those charter operations appear to threaten the maintenance of that level of scheduled operations.

Should this benchmark be identifiable, we would expect it to be of value in conjunction with the negotiation of bilateral agreements concerning charter operations. Indeed, it is my view that the identification of such a benchmark would facilitate negotiation of such charter agreements, because both sides would be able to understand that amount of characteristics of scheduled service they are concerned about protecting from substantial impairment.

I should mention another aspect of the regulatory scene which bears on all that I have said. Both on this side of the Atlantic and the other, there is a gradually awakening disaffection with the concept of affinity charter regulations. That is, requiring that the people traveling in a charter group bear some pre-existing relationship or affinity to one another, by reasons of their common membership in some group that was formed for purposes other than qualifying for air travel. This concept has proven very difficult to enforce, and to the extent it was developed to constrain charter travel, it obviously has not worked very well. Consequently our Civil Aeronautics Board has proposed and is now considering another way of regulating charter travel, which would not apply the affinity concept, but instead would apply certain restrictions to the charter traveler in terms of how long before the flight the ticket must be purchased, how much of a down payment must be made, how much of the down payment is forfeited if the traveler decides not to go on that flight, etc.

In Canada and Europe, too, there is disaffection with the affinity concept and a desire to move to some excursion travel charter regulation which also would deal with the advance purchase and down payment features and other elements of the trip. Other countries share our view that the affinity concept is inherently discriminatory, and unjustifiably denies to many the benefits of low-cost charter travel.

I think it's fair to say that our objective is that a non-discriminatory charter concept be developed which is open to widespread use. To the extent this concept becomes a substitute for the affinity rules, our regulations and the European regulations should be harmonious. I would

also say that in terms of our Policy Statement, the restrictions on the use of this type of charter - that is the advance purchase requirement, and the amount of the down payment, and other requirements all should be tailored in the light of whatever protection of scheduled service it is felt is necessary to be accomplished by such restrictions. Thus these conversations that we're having with the European governments may have an additional potential application. They may serve as a basis upon which both the Europeans and ourselves can structure new charter regulations as to avoid undesirable impacts on scheduled service and yet allow the greatest feasible use of the new charter authority for the benefit of the traveling public.

Before leaving the question of charter and scheduled competition, let me say a word about a current problem which the members of IATA have before them now. This is the proposal that would allow scheduled carriers to fill their unused capacity with small groups of charter passengers. This is a proposal that has been made by Pan Am and by perhaps some other scheduled operators, and is the subject of an IATA meeting that has been ongoing in Europe for some time. We've been besieged with views pro and con about this proposal. From the scheduled carriers we've heard that it's a desperately needed financial boost to their revenue position, and makes economic sense because the space on their scheduled flights that is involved would otherwise be unused. From the charter specialists, the supplementals, we've heard that this type of charter operation by scheduled operators would have a disastrous impact on charter specialists because it would siphon away from planeload charter operations many groups of charter travelers that would otherwise be grouped in planeload lots by charter organizers. From the standpoint of the traveler, which we like to make our principal focus, the proposal can be defended. It does make available to the charter traveler the facilities and the quality of the service provided by scheduled operators, and so long as the fare is commensurately low, it appears to offer an advantage. But we have not been able to sort out the effect of the use of this device on the competition between the scheduled and charter operators. There is much to be said for letting the market work its will, but the supplementals contend quite vigorously that this is an unfair competitive device. Once used to put the supplementals out of business, they argue, the scheduled operators' interest in charter operations will cease, all to the eventual disadvantage of the traveling public. The Policy Statement does warn us that the government should not allow enjoyment of the right to perform both scheduled service and charter

service to result a decisive competitive advantages for scheduled carriers. Therefore we have to consider whether this would be a decisive competitive advantage, and we do not yet have the facts at hand that would give us the conclusive answers to these questions. We understand that the Board has told the scheduled carriers that any such fare in their new fare package would lead the Board to institute a thorough investigation of the pros and cons, and we tend to agree that the issues raised by such a proposal would warrant a thorough factual investigation.

III. Capacity problems. As the Policy Statement makes clear, our basic policy position is consistent with that which the U.S. maintained for many years. That is, there should be no pre-existing capacity constraints upon the capacity offered by ourselves or foreign airlines operating scheduled services to or from the U.S., and that any difficulties that may arise with respect to excess capacity in the market should be resolved on an ex post facto basis. This principle can be said to be the keystone of the so-called Bermuda principles, and indeed distinguishes the bilateral airline relationships that we have with other countries from that which most foreign countries have amongst themselves. The practice abroad is very much predeterminism, with each country agreeing or arranging with others in advance as to the amount of airline capacity to be operated in particular market pairs.

Over the years the pressures on us from other countries to erode the Bermuda capacity principles have been continuous, and these pressures are as strong today as perhaps they ever have been. Perhaps in response to these pressures, the Policy Statement states, forthrightly, that "attempts to restrict U.S. carrier operations abroad should be vigorously opposed, and where required, the United States should take appropriate measures against the carriers of foreign countries restricting U.S. carrier operations." Consistent with this mandate, we have recently armed ourselves with a regulatory weapon to resist foreign restrictionism. After a number of years of debate as to the form of the appropriate regulation, the CAB has adopted Part 213 of its economic regulations which enables the Board to react to foreign restrictions by requiring that the foreign carrier file its own schedule of operations with the Board, subject to disapproval by the Board, which itself is subject to Presidential review and veto. A similar regulation has been proposed which would apply to restrictions of charter operations. I am pleased to say that this retaliatory authority is not a paper tiger. Some time ago, the Board exercised it in the case of Australia. More recently, the British Government's restriction of National Airlines' frequencies from Miami to London has led the CAB to call for the filing of BOAC's schedules under Part 213. The end of this particular story is not yet written, and perhaps Charlie Butler will want to comment upon it when he speaks to you later today.

The potential measures that this country might consider to further protect the Bermuda principles are worth some thought. Certainly, in a period of general excess capacity, the Department of Transportation would be interested in carrier proposals to agree upon some reduction of operating capacity. This is a principle which has already been found beneficial when applied to our domestic transcontinental operations, as well as operations from New York to Puerto Rico. Given adequate economic justification for such arrangements, we would be interested in at least examining a proposal for some comparable arrangement concerning international routes.

Another practice which has been found to be a useful adjunct to the maintenance of Bermuda principles, is called pre-screening. This involves the review by the United States Government of schedule changes by various American airlines, before the change is put into effect, to consider whether the changes might be the subject of some foreign protest on the ground of excessive capacity increase. Historically, the government has resisted putting itself in this posture with respect to our own airlines, but I think it's clear that on some occasions our own airlines have proposed capacity increases which cannot be defended in terms of economic projections, and which have led to unfortunate strains on the maintenance of our Bermuda principles. I wholly agree that management discretion should control, at least in the first instance, with respect to the type and quantity of service that is provided in a market. On the other hand, economic opportunity should carry with it certain responsibility, and when a carrier appears to disregard such responsibility, it's appropriate for the government to think of ways to encourage the exercise of it.

IV. Rate regulation. The President's Policy Statement generally calls for a continuation of our acceptance of IATA as the machinery for pricing scheduled services, and also recommends vesting the U.S. Government and the Board with authority to regulate rates and fares between the United States and foreign points, subject to executive review. Within the present Congress, such authority was granted to the CAB, and I have included a print of that public law in the papers which I have distributed. During the discussions before the Congress on the shape of this new legislative authority, Department of Transportation urged on behalf of the Administration that the Board's regulatory standards be constrained, narrowly defined, and cost-related. Congress agreed that the Board's powers be constrained, and specified that the Board could suspend and disapprove international rates, but not fix them. With respect to the regulatory standards, however, the Congress

rejected our approach, and chose instead to incorporate the Board's domestic regulatory standards, and also the principles that are found in standard bilateral agreements. Consequently, I believe it will be a considerable time before we see a pattern of the Board's regulatory rationale under this law, largely because the exercise of the power should be relatively rare.

We have on a number of occasions urged that air fares be related to costs. This was the thrust of the Department's testimony before the Board in the General Passenger Fare Investigation. It was also the basis of the Department's analysis last year of certain fares proposed by Lufthansa; that analysis was given to the Congress as part of my testimony on the air fare bill. And our interest in cost-related rates is not confined to air fares. It has served as one major rationale for the Administration's proposals to the Congress to amend the Interstate Commerce Act concerning the regulation of domestic surface transportation. A major unresolved issue concerning air fares that faces the international airline industry and governments today is the extent to which fares should be required to have a particular relationship to cost.

In the charter market, for example, fares are now set entirely by market competition; there is no existing industry group like IATA to set the fares, and there is no widespread governmental control of charter fares. One issue which we are considering now is whether there is a need for a cost floor under charter rates. The continuing increase of charter operations across the North Atlantic may be creating sufficient competitive pressures to drive the level of the rates below an economically sensible level. Given our general concern that transportation rates should not be allowed to be pushed by competitive or other forces below an appropriate cost level, we are giving some thought to identifying the current relationship between charter rates and costs, and considering ways in which an appropriate cost floor might be identified and applied to the level of charter prices. From the travelers' standpoint, this might prevent charter rates from sinking as low as the travelers might prefer. But we have never thought that the long-term interest of the traveler would be served by below-cost carrier operations. I might add that I do not view what I have just said as inconsistent with that part of the Policy Statement that states that "continued

support should ... be given to the establishment of IATA and non-IATA charter rates on a free competitive basis." I have not suggested that charter rates be fixed; only kept from sinking to undesirable levels.

V. In conclusion, let me summarize my impression of the implementation of aspects of the President's Statement on International Air Transportation Policy over the last two years.

In certain areas, where the Policy Statement took a new posture, there has been impressive implementation. I think particularly of the call in the Statement for additional CAB authority to regulate international air fares - that law has been passed and signed by the President. I think also of the call to this Government to react vigorously to foreign efforts to restrict our air carrier operations. And with respect to the adoption and application of Part 213 of the Board's regulations, as well as proposed action with respect to the service of Irish airlines to New York, this Government has shown that it is prepared to back that policy thrust.

With respect to other major elements of the 1970 Policy Statement, the record of implementation is not as bright. The Policy Statement urged us to vigorously seek intergovernmental agreements covering the operation of charter services. Without passing on the vigor of this effort, no such agreements have yet been reached. (But we are pressing forward, and such agreements may be reached soon.) The Policy Statement commanded us to prevent the substantial impairment of scheduled services and charter services. While I am prepared to agree that this impairment has not taken place in the last two years, we have not yet fully identified the criteria of such impairment, so that we will be able not only to recognize it after its taken place but also prevent its occurrence if it appears to be threatened. (Our talks with the ECAC countries may shed some light in this area.) And I am afraid to say that the injunctions in the Policy Statement concerning improvements in the structure of IATA fares have not yet borne immense fruit. (But the new law under which the CAB can regulate international fares may lead to such improvements).

So we have made substantial progress in the implementation of the 1970 Policy Statement. And we have more yet to do.

I would hope that all of you will consider it a responsibility to follow the course of this implementation, and let us know how you think it is progressing - particularly when you think it is not progressing fast or far enough.



DEPARTMENT OF TRANSPORTATION

NEWS

OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20590

80-DOT-72

REMARKS BY DEPUTY ASSISTANT SECRETARY FOR POLICY
AND INTERNATIONAL AFFAIRS, ROBERT HENRI BINDER,
U.S. DEPARTMENT OF TRANSPORTATION, BEFORE THE
SHIPPERS CONFERENCE OF GREATER NEW YORK, INC.
TRAFFIC CLUB OF NEW YORK NEW YORK, N.Y.
SEPTEMBER 21, 1972

I'm pleased to be with you this afternoon. It gives me an opportunity to discuss an orientation of our policy and program development which we are increasingly emphasizing, and which is of major importance to you, the shipper. Let me quote from the Department's basic legislation - "To facilitate development and improvement of the coordinated transportation service." This is a consumer orientation: healthy carriers are not an end in themselves; it is the service they provide that is our concern, and healthy carriers are needed to furnish good service.

In many ways, we find today that while we have made advances in transportation technology, some of the related service functions seem to have been lost in the rush. So generally, our presence here is in recognition of the fact that many are involved in efforts

to improve transportation services: shipper, carrier, consumer, the financial community, government, especially focusing on procedures, administration and paperwork, developing things like common codes, general systems for data computation and transmission. The need is pressing for the removal of impediments -- procedural administrative, legislative, regulatory - that hinder the efficient, economical and safe flow of persons, baggage, cargo and mail in the domestic and international transportation system.

So, let's focus on you the shipper, who uses this system we are all concerned with. What exactly are your interests in improving service? To what extent do you want to improve through-movements? You are concerned about how fast, in what condition, and at what cost your goods go from point A to point B. We believe that the carriers and the support services should work in such a way that the shipper is presented with what constitutes a single, continuous flow-through system.

If that is the problem before us, you may ask: what is the Department doing about it? There are many facets of our work, some directly related to your concerns, some impacting on your concerns, some impacting on transportation in the broadest sense.

First, Secretary Volpe has recently transmitted the 1972 National Transportation Report to the Congress. This is an historic first: a comprehensive inventory of the Nation's total transportation needs, covering the coming 20-year period. It was compiled from estimates of needs and priorities from each of the States, and from major elements of the transportation industry. You all know that transportation accounts for 20% of the GNP and every dollar we can save through more efficient use of transportation facilities has a direct bearing on the value of the dollar in the Nation's retail marketplace. The economic initiatives in this report are aimed at giving the consumer a better break in the cost of living. The report clearly indicates that a total, long-range approach is needed if we are to effectively attack our major transportation problems.

The Department's analysis also indicates that a more efficient use of today's rail freight transportation is possible by the consolidation of most traffic over a series of better service routes and the selective upgrading of links on the existing network. The improved service would consist of better designed, well-maintained roadway, higher speed, and greater frequency of trains.

The consolidation of traffic over a very high-density, mainline network could lead to very high savings in annual operating costs. If service were upgraded on a limited mainline network with the remainder of the network links serving only as feeders to the mainline network and a substantial part of these subject to possible abandonment, the cost savings might be accomplished at the same time as there is a slight increase in the rail market share. Any such rearrangement of traffic patterns and service would have to be studied carefully in view of possible community and other dislocations; however, the potential economic and service benefits indicate that it should be given serious consideration.

On a smaller geographic scale, we have also produced the Northeast Corridor Report. It's an analysis of the region between Boston and Washington which accounts for some 20% of the U.S. population. You're right in the middle of it. Per capita income in this Corridor is estimated to be about 15% above the national average and is estimated to grow to about 22% of the total population of the U.S. by 1985. The Northeast Corridor demands great volumes of movement among subregions. It's clear that New York City is heavily impacted by this situation. The study recommends a high speed rail service in the Corridor, development and implementation of a real-time highway information system, and an alternate highway route along this Corridor. The Northeast Corridor Report created a strong incentive for AMTRAK which as you know, provides the Metroliner rail service between Boston, New York and Washington. There are now a total of 23 trains daily compared to 16 when the service started in 1969 with an increase of 200,000 passengers. But it's in vital need of strong profits so as to keep it healthy and strong, thus helping the whole system.

Although the Northeast Corridor Report concerned itself primarily with the movement of passengers, its recommendations serve to aid shippers and carriers of cargo as well. Proposing alternate highway routes serves to reduce congestion for the automobile and the truck alike. Reduction in highway and air congestion will likewise improve travel times.

I expect you're all quite familiar with the Department's legislative proposals to modernize regulation and provide some financial assistance to our domestic surface carriers. As Secretary Volpe said, we believe the Administration's proposals would best serve the long range interests of the surface carrier industry. To date,

the Congress has not accepted all of our proposals, but a subcommittee of the House Interstate and Foreign Commerce Committee has produced a bill -- H.R. 16281 which contains much with which we agree. That bill should be moved forward - perhaps improved by some amendments - but moved. We need such legislation this year.

So much for our past performance. To quote from your by-laws, your interests lie in "fostering, protecting, and promoting the interests of those involved in shipping, storing or receiving goods." Hardly news to you, but I'm glad to say we share your interests. Let me tell you about particular activities we're involved in.

There are a number of areas that we've identified where there's great potential for economic reward for the shipper/consumer. One such area is documentation simplification and standardization. Paperwork related to international trade is a problem of great concern to the Department of Transportation, a problem which has become particularly acute with the advent of containers and movement of goods over several modes. As many as 125 forms are involved in some international shipments. Based on the current volume of our international trade, the documentation at present costs U.S. business and government nearly \$6.5 billion a year, or nearly 7-1/2% of the total value of U.S. export and import shipments, which is \$86 billion. The U.S. Standard Master for International Trade is already beginning to show results in removing red tape from intermodal and international and domestic shipments. When implemented, this program is expected to result in savings of \$3 billion a year. And we estimate that with the use of high-speed data transmission technology, savings to the U.S. industry of \$300 million a year can be realized.

The description and coding of commodities is also a major problem in moving domestic and international cargo. A single international shipment may require as many as 17 different descriptions between origin and destination. We are attempting to establish a Standard Transportation Commodity Descriptions and Code System. It is expected that not only will this system eliminate the enormous reams of paperwork but it will reduce the cost from \$4.5 billion to approximately \$3.1 billion annually for both domestic and international shipments.

While we are discussing cooperative efforts, let's consider the problem of the small shipper who cannot make up a truckload or a container load. Since a very substantial proportion of the total dollar value of all shipments is attributable to this category, and since problems in that area affect all sectors of the transport industry, very positive action is needed.

The carriers present a case that the costs of the service is too high and rates must increase. The shippers present a case that the costs are too high and rates must decrease. The regulatory bodies have the problem of determining if the rates used are justifiable relative to the costs incurred. In general, much of the necessary data needed to guide decision-makers are non-existent. So that leaves the problem in more or less of a state of impasse, which we are trying to help you remedy. The objectives of our study have been set out:

- 1) define the term "small shipment";
- 2) evaluate the scope of the problem and the impact of the value of the solution (e. g. number of small objects per definition) and percent to distribution dollars involved and percent to total;
- 3) develop a concise understanding of the overall "small shipments" problem; and,
- 4) prepare an action program to deal with the "small shipment" problem.

In short, we're looking for facts upon which solutions can be built.

While a large part of the study represents secondary data, another phase of the survey will involve the collection, and assemblage of primary data through selective personal interviewing of appropriate authoritative individuals in all sectors of the industry.

Based upon this response, we will arrange a Small Shipments Conference, consisting of representatives from all interested sectors, to give them an opportunity to review the study's recommendations and provide inputs of their own on a task assignment basis. This should take place about the first of the year, and hopefully, I'll see a number of you there.

We are also considering the possible benefits of an integrated intermodal transport center -- where services and functions of several shippers and carriers are combined and integrated to reduce duplication and waste. The paperwork dilemma could also benefit from this concept combining the billing and collection process in lieu of separate bills from each carrier, saving time and costs for both the shipper and carrier. A study done for the Department suggests that there is a need for this type of coordination, accessible to all shippers, agents, carriers and forwarders. This is in line with the particularly vexing dilemma of decreasing levels of service and increasing rates about which small shipment shippers and receivers complain.

And speaking of costs - there is a growing body of thought that the liability system applicable to traffic movement is in desperate need of review and modernization. Crime-based losses alone totaled nearly \$1.5 billion in 1970; \$900 million in trucking; \$250 million in railroads; \$200 million in shipping; and \$110 million in airlines.

Loss and damage to freight in the possession of common carriers is an historic source of law and business doctrine. It was a principal reason for founding the insurance business; it is a current cause of complaint and dispute in the business world; it is a source of misunderstanding (to put it mildly) in the carrier/shipper relationship; it is a cause of injustice to small shippers and bewilderment to the individual shipper facing the complexities of freight transportation; and it is one of the factors leading to a diminished confidence in the common carrier system.

So, suffice to say, there is room for improvement. To better form the basis for sound decision-making in the cargo liability area, the Department of Transportation has identified the following objectives for our proposed Cargo Liability Study:

- 1) achievement of minimum of transportation loss, damage and delay;
- 2) achievement of increased uniformity in cargo liability structure so as to make possible greater certainty and predictability of liability;
- 3) achievement of adequate indemnification protection to the cargo interest at the least cost;

- 4) achievement of expedited settlements and recovery at the least cost; and,
- 5) achievement of better industry/government understanding, based on current facts and trends.

Present practices are unsatisfactory. The preliminary recourse to negotiation and ultimate recourse to litigation are so expensive that many small claims are never pursued, even in small claims courts.

One trial solution was agreed upon by both carriers and shippers just this past Tuesday. In a joint, shipper/carrier/regulatory/government meeting, the Illinois Central, Southern, Southern Pacific and C&O and B&O decided upon a one-year trial project for arbitration. I think this is a step in the right direction. Such cooperation is heartening and a long time coming.

Clearly, you will have to make your decisions at the local level and that means considering the viewpoints of all parties that have an interest. We in Washington will do all we can to help. Let us know how we can be of service to you. There are many ears tuned to the voice of the shipper in our Department. Don't fail to speak out.