PUBLIC POLICY FOR AIR TRANSPORTATION*

By Hon. M. Cecil Mackey†

I AM DELIGHTED to be with you this evening, and I am especially pleased to have the honor of addressing this particular audience. What I plan to talk about is the role of federal government policy as it pertains to air transportation. I want to identify a number of questions—hard tough questions, I feel—that must be faced, objectively and realistically, in deciding how the government should spend its dollars—the taxpayers' dollars—and establish overall policy for air transportation.

In facing up to this assignment, I could find no better place than where I am this evening. I say that for two reasons. First, most of you are in business or in the profession. You are constantly faced with tough, often new, challenges. You meet them by getting the facts, appraising them as objectively as you can, and formulating appropriate responses. You do not make your decisions on the basis of myth or untested assumptions. I hope we all can be as hardheaded in defining the government's role in air transportation policy. Second, this conference which we open tonight takes place on the fringe of the campus of Southern Methodist University. It is sponsored by the Law School's Journal of Air Law and Commerce, whose regular publications and research activities—including its excellent symposium two years ago on the Warsaw Convention—represent significant contributions to the industry and government. This shows the kind of service which a university can provide the society, i.e., affording a forum for the exchange of ideas and the search for truth. As John F. Kennedy said in his now famous 1962 Commencement Address at Yale, "A great university is always enlisted against the spread of illusion and on the side of reality." In this spirit I ask that you join with me in a mutual effort to get a better hold on the real issues which all of us must confront in formulating our country's future air transportation policy.

The Department of Transportation, the newest of the federal agencies, went into operation just over a year ago. Its mission was to coordinate all of the many diverse government programs and activities that pertain to transportation in such a way as to give the United States a safe and efficient transportation system. We have been trying to do just that, and, we are making what I think is reasonably good progress. We have been collaborating closely with all major segments of industry and have established substantial analytical capability of our own. In the process of celebrating our first anniversary, we have been taking stock, i.e., reviewing our present capability and assessing our ability to meet the enormous demands the

* Banquet address made to the Symposium delegates 22 April 1968.
† LL.B., University of Alabama. Ph.D., University of Illinois. Graduate fellow, Harvard University. Taught at the University of Alabama. Counsel for Senate Anti-Trust Subcommittee. Director of Policy Planning for FAA prior to creation of DOT. Assistant Secretary of Transportation.
rapid growth in the economy will place on transportation. Naturally, a lot of our time and attention have been devoted to aviation.

Ask anyone for his evaluation of air transportation in the United States and you are almost certain to get a pessimistic assessment. The list will vary and the priorities will differ considerably, but you can expect a recitation of inadequacies in airports, airport access, and the airway system to cope with future levels of activity. Just about everyone feels that something different should be done. In particular, the government should begin doing things that are not being done now or should do a great deal more of what it has been doing in the past. This climate of uneasiness—this widespread feeling that the nation's air transportation system is not what we would like it to be—would be striking in any event. It is especially so, however, coming as it does on the heels of a period of unprecedented growth in air transportation, e.g., a period characterized by large private and public investments in aviation. Those of us in government as well as those in the industry have been doing a great deal in air transportation, but it is apparent that we have not been doing everything right. One need not be so cynical as the philosopher who warned that, "He who is not familiar with history is doomed to repeat the mistakes of the past." But it might be well, and quite instructive, to look at what has been happening in air transportation.

In the past ten years there has been a virtual frenzy of activity in every sector of the economy that relates directly to aviation. For example, the following have happened since 1956:

1. The number of revenue passenger miles flown by the United States scheduled airline industry has more than tripled.
2. The number of passengers carried has increased by 2 1/2 times.
3. More than 300 additional aircraft have entered scheduled airline service—bigger, faster, more efficient and more costly aircraft than those they replaced.
4. Net investment in commercial aircraft has increased nearly fivefold and now amounts to about $4 billion.
5. The number of general aviation aircraft has increased from 63,000 to well over 100,000.

Meanwhile, in the public sector there has been an equally rapid increase in government investment. In 1955, for example, federal and state government together spent $236 million in airways and airports. Today their annual investment is well in excess of $1 billion.

This expansion in air transportation parallels the upward course of the economy. In the last dozen years the Gross National Product has doubled. Along with an increase in our population of more than 34 million, our per capita disposable income rose by more than $1,100. This has produced a sharp increase in intercity travel, with the airlines being a major beneficiary. In 1956 air transportation accounted for only about a third of the 67 billion miles of intercity common carrier passenger travel. By 1966 the total had risen to 100 billion passenger miles and the airlines' share was a whopping two-thirds. There is every indication that these sharp upward
trends will continue. In the next five years the airlines will again double the number of passengers they carry. In ten years we can expect to see a million passengers a day board schedule airlines. General aviation is likely to grow even faster, and five years from now there will be more than 150,000 general aviation aircraft in the fleet. This expansion in aviation activity will place new and greater demands on the air traffic control system. In 1967 FAA's air route traffic control centers handled 15 million aircraft. By 1973, they must handle 30 million aircraft. With the upcoming introduction of the 400 seat 747 and the 250 seat airbus, airports must plan to handle more passengers and more baggage, park more cars, as well as cope with the larger aircraft.

All of these developments together create an immense challenge which can be met only through intelligent planning and the coordinated efforts of government, at all levels, and the aviation industry. To plan ahead sensibly requires not only an assessment of future trends but an appraisal of past and present policies and their results. In the last several years, billions of dollars have been spent by both the public and the private sectors for facilities and equipment. Additional billions have been spent by industry for its operations and by government for the support of the infrastructure. Yet, as I noted earlier, there is something missing. We have done a lot, and spent a lot, but few of us are satisfied with the product and confident that it will serve the future needs of air transportation in the United States. Why is this? Why, despite our vast investment and expenditures, are things not in better shape? The answer, I suggest, must be traced to the lack of any studied approach to the coordinated needs of air transportation. True, we have done a lot; but, to a great extent, it has been unplanned and uncoordinated, more accidental than the result of careful study. Air transportation has in many respects grown like Topsy. The time has come, I think, to take a hard, systematic look at the long-term needs of air transportation—to ask the hard questions which, in our recent frenzy of activity, we have failed to recognize or ponder. It is only in this way that we can determine: (1) what should be done, (2) when it should be done, and (3) by whom it should be done, in order to develop a sound national air transportation policy.

Rather strangely, I think, the public discussion of some of our most important policy issues in aviation has been lacking in clarity, candor and plain hard facts. All too often, there has been a tendency to deal with the symptoms before we have developed any real understanding of the root cause. This kind of problem solving has become increasingly expensive, perhaps prohibitively expensive, even for an affluent society such as ours. It has also become increasingly inefficient. Confronted with the kind of decisions we as a nation must make in the allocation of our resources, it is essential that we develop a thorough understanding of what our goals and our priorities are and that we shape our programs effectively so we can accomplish our goals. The priorities are important because in aviation as in other segments of the economy we must make choices. We simply can not have everything we think we would like.
It is helpful, I think, to look separately for a moment at problems related primarily to airports and problems related primarily to the airways, recognizing, of course, that the two are closely related. First, let us consider airports. For many months now, there has been a growing awareness of what has sometimes been called the "airport crisis." Present congestion, projected growth and the imminent appearance of the jumbo jet have contributed to a sense of urgency which has manifested itself in a virtually unanimous cry for greatly expanded federal programs along more or less traditional lines to "solve the problem." Unfortunately, these cries for immediate action have not been accompanied by any very useful analysis of just exactly what "the problem" is or, more correctly, what the problems are. There has been very little evidence to indicate what kinds of actions might actually offer "solutions." Further, there has been a surprising reluctance to probe the issue of what the appropriate federal role might be. We have today a very extensive system of airports. It has been developed and improved with the help of a large dose of federal funds. It provides substantial capacity and nationwide geographic access. There is absolutely no question that the system needs to be extended and expanded. We must improve the quality of the system by making it responsible to the demands of the future. But we must also be sure the principles which underpin our programs and our decisions are sound; and, we must not be reluctant to change old judgments when good cause exists.

Let me propose a few of the extremely real issues and questions which the Department is currently dealing with—ones which have not previously received adequate consideration:

1. Is there a requirement for strong federal control in airport planning and development? If so, is a substantial program of financial aid, more specifically, a federal grant program, necessary to establish and carry out this role?

2. Closely related is the question of whether or not primary reliance should be upon the users and the community to identify and respond to airport development demands.

3. What is the proper relationship between national transportation objectives and overall community values?

4. To what extent is there a demonstrated need for federal financial assistance for airport development? A meaningful answer must be in terms of size and type of airport.

5. To what extent is money available from non-federal sources to meet the needs of airport financing, and if available, on what terms, and in what time-frame?

6. Are the airport operators, the communities and the states doing all that should be expected of them to meet their own problems? What are the priorities accorded to aviation at the state and local levels, and are these priorities an accurate reflection of the benefits that flow to the communities that have air access and air carrier service?

7. Are we now at a point where we should be able to expect es-
sentially full recovery of future airport costs from the users, with a possible exception in cases where operating subsidy has been found necessary and in the public interest to provide air carriers service to particular locations?

(8) What would the pattern of financial need be if there were
(a) equitable allocation of airport costs among classes of users
and
(b) reasonable fees applied to all classes of users.

(9) What conditions should attach to any program of federal financial assistance? Possible examples might be:
(a) unavailability of funds in the private market,
(b) a reasonable fee structure and
(c) reasonable local regulatory action to help achieve efficient airport utilization.

A comprehensive airport program must address itself to such issues and deal with them.

Turning now to the airways, it is also clear that aviation's growth is imposing demands for expansion and improvement in the airways system. The President has recognized this and directed the Secretary of Transportation to develop a long-range comprehensive plan for facilities, equipment and personnel to meet these needs, thus assuring that we have a system that operates with safety and efficiency. Here, as with airports, however, there are important issues which have not received the kind of fundamental consideration in the forum of public debate which they deserve. Possibly this is nothing more than a reflection of a natural tendency to shy away from the hard decisions in the hope that somehow the crunch will not come after all, i.e., that in the end we will be able to avoid making unpleasant or expensive choices and that we really can have it both ways after all. If that is the hope, it is an illusion.

There is a strong federal responsibility for fostering and promoting the development of all segments of aviation. Each segment is important and each makes its own contribution to the transportation system and to the nation as a whole. But it is not possible to stop with that kind of statement. We must look more deeply into the nature of the responsibility for each segment of aviation in the light of the role it plays and the contribution it makes. Again, let me pose some of the issues which are closely related to the problem at hand:

(1) What are the policies which should guide us when the federal responsibility for insuring that the nation has and maintains a safe, efficient, convenient and economical system of common carriage by air appears to be in conflict with the free and unrestrained growth of other segments of aviation?

(2) Would it be appropriate to establish a system in which the common carrier, operating over established routes at published tariffs and with its obligation to serve all passengers and shippers without discrimination, is recognized as the core of our air transportation sys-
tem and given priority accordingly? This question of possible priority has to be considered in terms of federal responsibility in both investment and operating expenditures as well as in the regulation of the airspace.

(3) Should expenditures for facilities and equipment for the different classes of users be related to the revenues, in the form of user charges, contributed by classes of users?

As you can see, these are all difficult questions. They represent two of the most fundamental kinds of issues we as a nation must face. First, those relating to government's relationship with private enterprise and, second, relationships between the federal government and state and local governments. The policy decisions which must be made so that both government and industry can develop the necessary plans and programs for action are far reaching and complex. They will have significant economic impact and they will affect the kinds of choices open to the users of our air transportation system. But they are decisions which must be made and made as soon as possible so we can get on with the job of planning for the future. And they will be made—if not consciously, then by default. They will be better decisions if they are based on thorough analysis of the best available data and a free exchange of the best judgments from all segments of aviation.

That is the way decisions of this type should be made. It is the way I hope these urgent decisions, so important to aviation, will be made. We in the Department of Transportation will approach our role in this process in the light of our overall mission of providing a transportation system consistent with all the needs and interests of our society. The only objective the Department of Transportation, the aviation industry, and the American public can afford is the best air transportation system possible.