

STATEMENT OF DEPUTY SECRETARY OF TRANSPORTATION DARRELL TRENT BEFORE  
THE SUBCOMMITTEE ON AVIATION OF THE HOUSE PUBLIC WORKS AND TRANSPORTATION  
COMMITTEE, CONCERNING EARLY SUNSET OF THE CIVIL AERONAUTICS BOARD,  
JULY 9, 1981.

Mr. Chairman and Members of the Committee:

We are pleased to appear before this Committee today in support of H.R.4065, the Administration's proposal for the complete deregulation of the U.S. domestic airline industry and accelerated sunset of the Civil Aeronautics Board. This proposal is part of President Reagan's program to eliminate unneeded regulation and revitalize the nation's economy. With me this morning are Judith Connor, Assistant Secretary for Policy and International Affairs, and Frank Willis, Deputy Assistant Secretary for Policy and International Affairs.

Mr. Chairman, we are seeking early sunset of the Civil Aeronautics Board because we believe efforts so far under the Airline Deregulation Act of 1978 have been successful. Reducing regulation has permitted and encouraged U.S. airlines to streamline their operations, to make more efficient use of their aircraft, to change their operating schedules, and, generally, to make management decisions which respond to the needs of the marketplace instead of rules issued by the Federal government. This has worked to the benefit of both passengers and airlines despite enormous cost pressures resulting from overall inflation and spiraling fuel prices.

We believe the time has come to complete the deregulation effort that this committee has played a key role in starting and we are looking forward to working closely with you.

This week the Committee will be hearing from a number of groups which will express particular concerns that further deregulation might adversely affect them. In developing our bill we have worked closely with the aviation community and I am sure that we already have heard many of the points that will be brought to the Committee's attention in the coming days and weeks. Of course many of the proposals will be at cross purposes. We did not attempt to solve all the perceived problems by a bulky bill that was strewn with ornaments. Instead we have chosen to rely on the free marketplace to make these decisions, not on Federal statutes or regulations. After considering the various points of view we have, in almost all instances, opted for a strong deregulatory solution. This approach reflects our confidence in this industry and its ability to continue to adjust rapidly to changing circumstances. We urge the Committee to adopt this point of view.

Mr. Chairman, you have just heard the views of the General Accounting Office based on their report on deregulation. Our conclusion is that the evidence demonstrates that the U.S. airline industry has adjusted rapidly to a less regulated environment. While some airlines have struggled in the weak economy of 1979 and 1980, greater regulatory freedom will assist in their recovery. At the same time, this freedom has encouraged new entry and the rapid development of the commuter industry.

For that precise reason, we are proposing that sunset of the Board can be accelerated to September 30, 1982. As does the Deregulation Act, our proposal transfers the current authority and functions of the Board concerning essential air service and international air transportation. We do differ regarding other provisions. Mr. Chairman, because you

have our comprehensive legislative package with a detailed section-by-section analysis, I will only briefly summarize the major changes.

### ANTITRUST

We have proposed significant changes in antitrust treatment of the commercial air transport industry. We would end special treatment of acquisitions and mergers and phase out, by September 30, 1983, Federal authority to immunize from the antitrust laws domestic aviation inter-carrier agreements. Here in particular, Mr. Chairman, I would again emphasize our confidence in the ability of this industry to adjust to changing circumstances and our particular confidence in individual companies to compete successfully in their own interest and, with guidance from the marketplace, in the public's interest. Of course, the industry would need to make some adjustments since certain of the current arrangements rely on antitrust immunity, and would have one year after sunset, until September 30, 1983, to phase-in and plan for the effects of domestic operations without antitrust immunity.

### REDUCING REGULATORY BURDEN

Our bill would result in significant paperwork reduction. We propose ending the economic fitness certification process. We would rely on the existing safety certification procedures of the FAA as the prerequisite for domestic operating authority. In addition, tariff filing requirements would end for the domestic air transportation industry. We simply do not see a need to continue to impose on the industry the vestiges of a regulatory system with its attendant paperwork requirements. Moreover, we see no reason to continue tariff filings when the authority to approve the tariffs has been eliminated.

Our bill would transfer to DOT the authority to collect air carrier data. However, we propose to reduce the reporting requirements to the minimum necessary. We would accomplish this by a complete review, with full industry and user participation, as soon as Congress completes action. Many representatives apart from the airlines have come to us and emphasized the need, aside from government regulatory purposes, for continued data collection.

#### LABOR PROTECTION

We have also proposed to repeal the labor protection provisions of the Airline Deregulation Act. We believe these provisions are inconsistent with a deregulated environment. This conclusion reflects our judgment that the airline industry should be treated as much as possible like other economically unregulated industries. The labor protection provisions were included in the 1978 Act because of concerns at that time that deregulation might not prove successful. We believe that the evidence is to the contrary.

Further, there can be no doubt that aviation is a long term growth industry and that there will be significant opportunities for airline employment. There will be more new entrants in the larger air carrier category and the rapidly growing commuter sector. In light of this, Mr. Chairman, we do not feel it is appropriate to offer employees protections beyond those provided under the general labor laws, and I do want to emphasize that those general benefits will always remain available to employees in the airline industry.

ELIMINATION OF 406 SUBSIDIES

Our bill would also terminate the section 406 subsidy program, but continue the section 419 subsidies, to ensure that essential air service is provided. You have recently held hearings on this subject and I want to underscore here that the maintenance of essential air service is important to us and that the proposal to end 406 subsidies does not reflect any weakening of our commitment to essential service. In fact, the small communities program will be a stronger program with elimination of section 406.

Mr. Chairman, as you know, this Administration has and will continue to very closely scrutinize all subsidy programs. The President's budget simply does not include programs for which there is no clear need. The section 419 program guarantees that no eligible community will lose essential air service and in a far more cost efficient manner than section 406. Few communities included presently in the 406 program actually require subsidized air service and for those which might, the 419 program will accommodate their needs.

In particular the 406 program works to the disadvantage of the commuter industry which often competes without subsidy against 406 subsidized local service carriers. I want to add here that the strong performance of the commuter industry under deregulation makes us particularly confident that accelerated sunset can be a healthy stimulus to the entire air carrier industry.

To sum up, the 406 program is carrier oriented, not community oriented, and we do not feel that it is either necessary or desirable.

### CONSUMER PROTECTION

We believe that in a fully competitive industry the consumer is naturally protected against fraudulent, deceptive or unfair practices because of the many choices available and the policing effect of competition itself. Therefore, after sunset, we believe that there will likely be little need for comprehensive Federal regulation of airlines' consumer practices.

Consistent with our desire to treat domestic air transportation like other unregulated industries, we propose to eliminate the current prohibition against application of the Federal Trade Commission Act to air transportation and repeal current section 411 of the FAA Act. As a result, the FTC will be able to intercede under its general authority when it determines the situation warrants.

Our proposal would retain for DOT the Board's other statutory authority to address, when necessary, consumer concerns that for some reason the market place does not resolve. In particular we would retain the requirement in section 404 that air carriers provide "safe and adequate" air service, which is relied upon presently by the CAB for much of its consumer protection rules.

### CARRIAGE OF MAIL

We also have proposed streamlining the provisions relating to the carriage of mail by eliminating the inefficient regulatory apparatus that currently sets air mail rates. The Administration proposal will eliminate regulatory restrictions on the air transportation contracting authority of the U.S. Postal Service and rely on contracting or negotiated bids to determine mail rates.

SAFETY

Before closing, I want to emphasize that we have drafted our bill to ensure that the sunset of the CAB will in no way adversely affect aviation safety. We have not seen any adverse effects on safety from deregulation and the legislation we are proposing now will have no adverse effect. The authority of the FAA would be unimpaired.

SUMMARY AND CONCLUSION

In summary, Mr. Chairman, we believe that the evidence of deregulation under the 1978 Act justifies an accelerated sunset of the CAB. We also believe our proposed changes will result in a truly deregulated domestic air transport system with U.S. airlines being treated more nearly like other economically unregulated industries.

We believe that prompt enactment of our legislation would serve the public interest and further the goals of President Reagan's program. We look forward to working with you to achieve that objective.

That concludes my prepared statement, Mr. Chairman, my associates and I would be pleased to respond to questions the Committee may have.

