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MTG. W/ PRESIDENT & SECY. COLEMAN

re: Aircraft Noise

Saturday, Sept. 17

10:00 a.m.

Cabinet Room



THE WHITE HOUSE

WASHINGTON

September 17, 1976

MEETING ON AIRCRAFT NOISE

Saturday, September 18, 1976

10:00 a.m. (45 minutes)

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From: Jim Cannon



I. PURPOSE

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II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

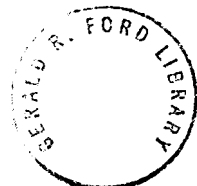
A. Background

You have had three previous meetings with Secretary Coleman and others on aviation noise: Monday, September 6; Thursday, September 9; and Saturday, September 11.

At the last meeting you told Secretary Coleman that you wanted to discuss the environmental aspects of aircraft noise with Russell Train, Administrator of the Environmental Protection Agency; Russell Peterson, Administrator of the Council of Environmental Quality; and Dr. John McLucas, Administrator of the Federal Aviation Administration.

Alan Greenspan also wanted to comment further on the economics of the Coleman proposal.

You also asked for an appraisal of the likely impact of the A-300B Airbus. To date 34 A-300's have been sold, and foreign airlines have taken options on 23 additional planes. The best analysts consider that the A-300 is not at this time a serious threat to US produced aircraft (Tab A).



B. Participants

Secretary William Coleman
John McLucas (FAA)
John Busterud (CEQ)
Russell Train (EPA)
Dick Cheney
Max Freidersdorf
Alan Greenspan
Jim Lynn
Paul MacAvoy
Jack Marsh
Ed Schmults
Bill Gorog
Jim Cannon

C. Press Plan

To be announced.



III. Talking Points

- A. The first objective of Bill Coleman's proposal is to alleviate problems associated with aviation noise. I have asked John McLucas, together with Russ Train and John Busterud (for Russ Peterson) to give me their assessments of the dimensions of the noise problem. Russ, would you begin?

- B. Bill Coleman's proposal contains financing plan to help the airlines pay the cost of meeting any new noise standards. Alan (Greenspan), what is your assessment of the airlines' capacity to meet any new requirements without Federal help?

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THE WHITE HOUSE

WASHINGTON

September 17, 1976

MEMORANDUM FOR:

JIM CANNON

FROM:

PAUL LEACH *Paul*

SUBJECT:

A-300B Airbus and the
Next Generation Medium
Range Aircraft

Airbus

The Airbus is a multinational joint venture currently concentrating in the medium range market. Development of the first aircraft began in 1969, the first flight occurred in 1972 and the first sales began in late 1974. Two models of the A-300 are currently in production, the B2 and B4. Both are powered by two underwing General Electric CF6-50C engines. The approximate price of the aircraft is currently about \$22 million.

Management and design leadership for the A-300 program is vested in the French firm Airbus Industrie. The aircraft is built by a consortium of manufacturers from four countries:

France
Germany

Aerospatiale
Deutsche Airbus (a partnership of
Messerschmitt-Bolkow-Blohm and
VFW-Fokker)

Netherland
Spain

Fokker
CASA

The main partners are the French and German companies.

The governments of the four participating countries have reportedly invested a total of at least \$1 billion in A-300 development and production to date, which is believed to represent about 85 percent of total program investment. They may be called upon for an additional investment of \$500 million in the aggregate.



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To date, 34 A-300-Bs have been sold with over half already delivered and in service. The purchasers are:

| <u>AIRLINE</u> | <u>NUMBER</u> |
|------------------------|---------------|
| Air France | 9 |
| AirInter (France) | 3 |
| Germanair | 2 |
| Indian Air Lines | 3 |
| Korean Air Lines | 6 |
| Lufthansa | 4 |
| South African Airways | 4 |
| Transavia | 1 |
| Trans European Airways | 2 |
| | <u>34</u> |

These airlines have options on 23 additional planes.

The A-300-B2 and A-300-B4 are currently competitive in terms of range and/or capacity with certain DC-10, L-1011 and B-727 models. The A-300-B2 has a range of 2,074 miles, and the B4 a range of about 2,417 miles, somewhat less than U.S. - made, medium-range, aircraft. Standard seating for both series is about 220 passengers in mixed-class versions and 345 passengers in a high-density, all-economy version, somewhat less than in the DC-10 and L-1011 and about one and one-half times the seating capacity of the Boeing 727.

Apparently, the A-300 is the most technologically competitive foreign commercial aircraft ever produced. Because it is a two-engine plane, the A-300 uses less fuel per passenger mile on most routes as compared to the DC-10, L-1011 and B-727. However, to date the A-300 has not been a commercial success.

The A-300 has experienced slow sales since production began. However, the American competition has sold many more of each aircraft: about 240 of the DC-10s, about 160 of the L-1011s and about 1300 of the B-727s. Of course, these are older planes and most were sold before the Airbus was in production.

The strong competitive advantages of the A-300 are its fuel economy and its immediate availability (as contrasted to about a year and a half wait for the DC-10 and L-1011). The key competitive weakness of the A-300 is the lack of customer confidence in Airbus Industrie and the lack of demonstrated after-sales service. In the past airlines have generally had bad experience with earlier planes produced in Europe and the bad taste from this experience lingers on.



There has been some discussion of new variants on the A-300 B2 and B4. The most important variation might be the A-300 -B10 which would be a smaller 200 seat airplane which would compete with the proposed B-7X7 and DC-X-200.

New Generation Aircraft

The attached article from the latest Economist is the best, current discussion of the new aircraft development situation I have found. Within the past two weeks, the major European air show took place at Farnborough, England and a two-day international conference on aircraft replacement and new developments (arranged by the Financial Times) was held in London. This Economist piece is a follow-up to those events.

The conclusion of this article and my own investigations is that the U.S. manufacturers (probably Boeing) are likely to begin full development of next generation of medium range, 200-seat, wide-bodied aircraft by the middle or end of 1977 and that the U.S. will continue to retain its dominant position in the manufacture of commercial aircraft.

You might also be interested in the attached short report by Alan Benasuli at Drexel Burnham & Co. on Wall Street. Benasuli, who is considered the best aerospace analyst on Wall Street, indicates in this report and in a lengthy conversation we had this week that the commercial aircraft industry cycle has hit bottom and that the situation will continue to improve. He anticipates that Boeing will begin development of the new generation B-7X7 in the second half of 1977 (along with a couple of minority-interest partners from Japan and Europe) with production to remain in the U.S. and deliveries to commence in late 1981 or in 1982. He sees no appreciable competitive challenge from foreign consortia and manufacturers.

Also, the latest information on the proposed new A-300-B10 model is that Airbus has decided not to pursue development at this time (although this decision could be reversed).

Attachments



Billions and billions and billions to grab for

Aircraft and aero-engine makers were biting their nails at the Farnborough air show this week. With good reason: between now and 1985, something like \$45 billion (at 1975

in 1975-80 (Boeing's optimistic forecast is 9%), to the International Civil Aviation Organisation's fairly hopeful 10½%.

Most of the industry works on the assumption that growth will average about 7½% a year to 1985, followed by 5½-6½% in 1985-90. That would increase the number of passenger-miles flown in the non-communist world from the 400 billion last year to 825 billion in 1985 and to well over a trillion in 1990.

New designs cost more to make and less to run

It costs millions to make the simplest change to an aircraft design, let alone design a new model from scratch. So why not simply update existing types?

This is being done wherever possible. Nobody is planning a brand-new long-haul jet. McDonnell Douglas reckons that, at today's prices, it would cost at least \$2 billion to develop anew the DC-10—and makers have yet to get their investment back on the existing types. So tomorrow's long-haul jets will

BOEING (BA - \$40)
JULY COMMERCIAL AIRCRAFT STATUS

8/31/76

2396

Alan Benasuli

The table on the back of this page shows Boeing's incoming orders, deliveries, and backlogs on a monthly basis for 1975, as well as the current status as of July 31, 1976. Only firm announced orders are recorded in this tabulation.

As evidenced in the table, Boeing's backlog of firm announced orders seems to have bottomed out in April and is now picking up. Orders received since the end of July include 6 727's for Eastern Airlines, 6 727's for American Airlines, and 3 747's for Quantas, the Australian airline. The Aviation Week & Space Technology issue of August 16 points to the probability of an increase in the production rate of the 727 to 8-10 units per month by the end of 1977 from the current rate of 5 units per month.

The preliminary agreement reached between McDonnell Douglas and the French government to develop an advanced version of the French Mercure has, in our opinion, put pressure on Boeing to begin a new commercial aircraft program. The most likely program is a 7X7 development, in which Boeing's share will be on the order of 50-60%, with Japan and Italy and other potential foreign partners sharing the balance. It was recently reported that Boeing and the Japanese Civil Transport Development Corp. are very close to an agreement on this development. The 7X7 is conceived as a 200-passenger, widebody, medium-range (2000 miles) aircraft, incorporating a "super-critical" wing and a new engine (probably United Technologies' JT10D currently under development) with much improved fuel consumption characteristics. We would expect a go-ahead on this program in the latter part of 1977 at the latest. Our guess is that the development bill for this new aircraft will be on the order of \$1-2 billion, with Boeing's share being on the order of 50-60%.

BOEING - MONTHLY COMMERCIAL AIRCRAFT STATUS
(in Units)

2397

ORDERS

| | <u>1975</u> | | | | <u>MONTHLY</u> | | <u>CUMULATIVE</u> | | <u>1976</u> | | | | <u>MONTHLY</u> | | <u>CUMULATIVE</u> | |
|--------------|-------------|------------|------------|------------|----------------|--------------|-------------------|------------|-------------|------------|--------------|--------------|----------------|--|-------------------|--|
| | <u>707</u> | <u>727</u> | <u>737</u> | <u>747</u> | <u>TOTAL</u> | <u>TOTAL</u> | <u>707</u> | <u>727</u> | <u>737</u> | <u>747</u> | <u>TOTAL</u> | <u>TOTAL</u> | | | | |
| JAN | 2 | 3 | 5 | 4 | 14 | 14 | - | - | 3 | - | 3 | 3 | | | | |
| FEB | - | - | - | 1 | 1 | 15 | - | 4 | - | 2 | 6 | 9 | | | | |
| MAR | - | - | 2 | 3 | 5 | 20 | - | 6 | 7 | - | 13 | 22 | | | | |
| APR | 6* | 20 | 7 | 2 | 35 | 55 | - | - | - | - | - | 22 | | | | |
| MAY | - | 3 | 4 | 1 | 8 | 63 | - | 27 | 1 | 1 | 29 | 51 | | | | |
| JUN | 0 | 4 | 10 | 3 | 17 | 80 | 2 | 5 | 9 | - | 16 | 67 | | | | |
| JUL | 0 | 1 | 0 | 0 | 1 | 81 | 1 | 4 | 5 | 5 | 15 | 82 | | | | |
| AUG | - | 2 | 7 | 2 | 11 | 92 | | | | | | | | | | |
| SEP | 1 | 3 | - | 1 | 5 | 97 | | | | | | | | | | |
| OCT | 0 | 0 | 0 | 1 | 1 | 98 | | | | | | | | | | |
| NOV | 0 | 9** | 0 | 1 | 10 | 108 | | | | | | | | | | |
| DEC | 0 | 4 | 0 | 0 | 4 | 112 | | | | | | | | | | |
| <u>TOTAL</u> | <u>9</u> | <u>49</u> | <u>35</u> | <u>19</u> | <u>112</u> | | | | | | | | | | | |

DELIVERIES

| | <u>1975</u> | | | | <u>MONTHLY</u> | | <u>CUMULATIVE</u> | | <u>1976</u> | | | | <u>MONTHLY</u> | | <u>CUMULATIVE</u> | |
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| JAN | 1 | 3 | 5 | - | 9 | 9 | 0 | 2 | 6 | 0 | 8 | 8 | | | | |
| FEB | - | 8 | 3 | 1 | 12 | 21 | 1 | - | 2 | 1 | 4 | 12 | | | | |
| MAR | - | 12 | 7 | 3 | 22 | 43 | - | 4 | 5 | 5 | 14 | 26 | | | | |
| APR | 1 | 8 | 5 | 1 | 15 | 58 | - | 6 | 4 | 4 | 14 | 40 | | | | |
| MAY | - | 13 | 5 | 3 | 21 | 79 | - | 8 | 3 | 4 | 15 | 55 | | | | |
| JUN | 2 | 8 | 5 | 2 | 17 | 96 | 2 | 5 | 4 | 3 | 14 | 69 | | | | |
| JUL | 0 | 3 | 3 | 2 | 8 | 104 | 1 | 4 | 5 | 5 | 15 | 84 | | | | |
| AUG | 0 | 5 | 1 | 3 | 9 | 113 | | | | | | | | | | |
| SEP | 1 | 5 | 3 | - | 9 | 122 | | | | | | | | | | |
| OCT | 1 | 10 | 6 | 2 | 19 | 141 | | | | | | | | | | |
| NOV | 0 | 6 | 5 | 1 | 12 | 153 | | | | | | | | | | |
| DEC | 1 | 9 | 3 | 3 | 16 | | | | | | | | | | | |
| <u>TOTAL</u> | <u>7</u> | <u>90</u> | <u>51</u> | <u>21</u> | <u>169</u> | | | | | | | | | | | |

BACKLOGS

| | <u>1975</u> | | | | <u>MONTHLY</u> | | <u>1976</u> | | | | <u>MONTHLY</u> | |
|-----|-------------|------------|------------|------------|----------------|--------------|-------------|------------|------------|------------|----------------|--|
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| JAN | 15 | 107 | 39 | 39 | 200 | 16 | 64 | 20 | 33 | 133 | | |
| FEB | 15 | 99 | 36 | 39 | 189 | 15 | 68 | 18 | 34 | 135 | | |
| MAR | 15 | 87 | 31 | 39 | 172 | 15 | 70 | 20 | 29 | 134 | | |
| APR | 20 | 99 | 33 | 40 | 192 | 15 | 64 | 16 | 25 | 120 | | |
| MAY | 20 | 89 | 32 | 38 | 179 | 15 | 83 | 14 | 22 | 134 | | |
| JUN | 18 | 85 | 37 | 39 | 179 | 15 | 83 | 19 | 19 | 136 | | |
| JUL | 18 | 83 | 34 | 37 | 172 | 15 | 81 | 21 | 22 | 139 | | |
| AUG | 18 | 80 | 40 | 36 | 174 | | | | | | | |
| SEP | 18 | 78 | 37 | 37 | 170 | | | | | | | |
| OCT | 17 | 68 | 31 | 36 | 152 | | | | | | | |
| NOV | 17 | 71 | 26 | 36 | 150 | | | | | | | |
| DEC | 16 | 66 | 23 | 33 | 138 | | | | | | | |

* 6 for the USAF.

** 7 to be leased.



Sat. mtg. folder

THE WHITE HOUSE

WASHINGTON

September 17, 1976

Max:

Points which may come up at the Aviation Noise meeting tomorrow:

1. Secretary Coleman has told the President that he believes that the next Congress will reduce the present 8% Federal tax on airline passenger fares to 6% and the 5% Federal tax on freight to 3%. The Airport Development Fund into which this money goes has more than a \$1 billion surplus now, and Coleman believes this mounting surplus will prompt the next Congress to reduce taxes. Jack Marsh, at our meeting last Saturday, indicated he thought this is likely.
2. In general, what would be the reaction in Congress toward a proposal to create a Federally-administered fund from which airlines would receive grants to buy new airplanes?

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WASHINGTON

September 17, 1976

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Saturday, September 18, 1976
10:00 a.m. (45 minutes)
The Cabinet Room

From: Jim Cannon

Jim Cannon

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II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

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You also asked for an appraisal of the likely impact of the A-300B Airbus. To date 34 A-300's have been sold, and foreign airlines have taken options on 23 additional planes. The best analysts consider that the A-300 is not at this time a serious threat to US produced aircraft (Tab A).



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FROM:

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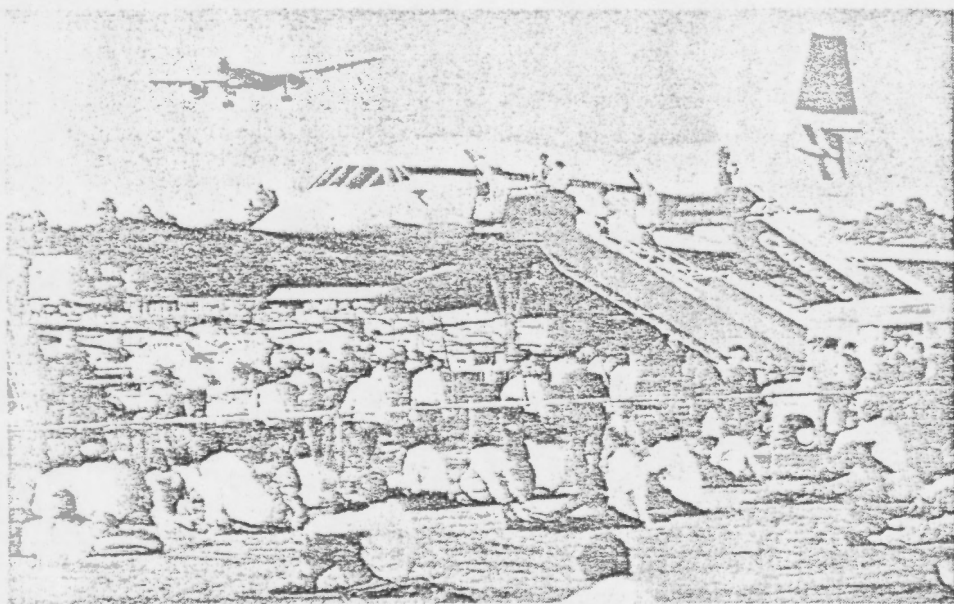
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Attachments





Billions and billions and billions to grab for

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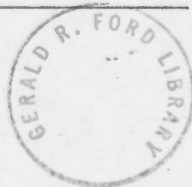
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This is being done wherever possible. Nobody is planning a brand-new long-haul jet. McDonnell Douglas reckons that, at today's prices, it would cost at least \$2 billion to develop anew the DC-10—and makers have yet to get their investment back on the existing types. So tomorrow's long-haul jets will be modified versions of 747s, DC-10s, TriStars and Airbuses (a new super-



BOEING (BA - \$40)
JULY COMMERCIAL AIRCRAFT STATUS

8/31/76
Alan Benasuli

2396

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BOEING - MONTHLY COMMERCIAL AIRCRAFT STATUS
(in Units)

2397

ORDERS

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| MAY | - | 3 | 4 | 1 | 8 | 63 | - | 27 | 1 | 1 | 29 | 51 |
| JUN | 0 | 4 | 10 | 3 | 17 | 80 | 2 | 5 | 9 | - | 16 | 67 |
| JUL | 0 | 1 | 0 | 0 | 1 | 81 | 1 | 4 | 5 | 5 | 15 | 82 |
| AUG | - | 2 | 7 | 2 | 11 | 92 | | | | | | |
| SEP | 1 | 3 | - | 1 | 5 | 97 | | | | | | |
| OCT | 0 | 0 | 0 | 1 | 1 | 98 | | | | | | |
| NOV | 0 | 9** | 0 | 1 | 10 | 108 | | | | | | |
| DEC | 0 | 4 | 0 | 0 | 4 | 112 | | | | | | |
| <u>TOTAL</u> | <u>9</u> | <u>49</u> | <u>35</u> | <u>19</u> | <u>112</u> | | | | | | | |

DELIVERIES

| | <u>1975</u> | | | | | <u>1976</u> | | | | | | |
|--------------|-------------|------------|------------|------------|----------------------|-------------------------|------------|------------|------------|------------|----------------------|-------------------------|
| | <u>707</u> | <u>727</u> | <u>737</u> | <u>747</u> | <u>MONTHLY TOTAL</u> | <u>CUMULATIVE TOTAL</u> | <u>707</u> | <u>727</u> | <u>737</u> | <u>747</u> | <u>MONTHLY TOTAL</u> | <u>CUMULATIVE TOTAL</u> |
| JAN | 1 | 3 | 5 | 4 | 9 | 9 | 0 | 2 | 6 | 0 | 8 | 8 |
| FEB | - | 8 | 3 | 1 | 12 | 21 | 1 | - | 2 | 1 | 4 | 12 |
| MAR | - | 12 | 7 | 3 | 22 | 43 | - | 4 | 5 | 5 | 14 | 26 |
| APR | 1 | 8 | 5 | 1 | 15 | 58 | - | 6 | 4 | 4 | 14 | 40 |
| MAY | - | 13 | 5 | 3 | 21 | 79 | - | 8 | 3 | 4 | 15 | 55 |
| JUN | 2 | 8 | 5 | 2 | 17 | 96 | 2 | 5 | 4 | 3 | 14 | 69 |
| JUL | 0 | 3 | 3 | 2 | 8 | 104 | 1 | 4 | 5 | 5 | 15 | 84 |
| AUG | 0 | 5 | 1 | 3 | 9 | 113 | | | | | | |
| SEP | 1 | 5 | 3 | - | 9 | 122 | | | | | | |
| OCT | 1 | 10 | 6 | 2 | 19 | 141 | | | | | | |
| NOV | 0 | 6 | 5 | 1 | 12 | 153 | | | | | | |
| DEC | 1 | 9 | 3 | 3 | 16 | | | | | | | |
| <u>TOTAL</u> | <u>7</u> | <u>90</u> | <u>51</u> | <u>21</u> | <u>169</u> | | | | | | | |

BACKLOGS

| | <u>1975</u> | | | | | <u>1976</u> | | | | |
|-----|-------------|------------|------------|------------|----------------------|-------------|------------|------------|------------|----------------------|
| | <u>707</u> | <u>727</u> | <u>737</u> | <u>747</u> | <u>MONTHLY TOTAL</u> | <u>707</u> | <u>727</u> | <u>737</u> | <u>747</u> | <u>MONTHLY TOTAL</u> |
| JAN | 15 | 107 | 39 | 39 | 200 | 16 | 64 | 20 | 33 | 133 |
| FEB | 15 | 99 | 36 | 39 | 189 | 15 | 68 | 18 | 34 | 135 |
| MAR | 15 | 87 | 31 | 39 | 172 | 15 | 70 | 20 | 29 | 134 |
| APR | 20 | 99 | 33 | 40 | 192 | 15 | 64 | 16 | 25 | 120 |
| MAY | 20 | 89 | 32 | 38 | 179 | 15 | 83 | 14 | 22 | 134 |
| JUN | 18 | 85 | 37 | 39 | 179 | 15 | 83 | 19 | 19 | 136 |
| JUL | 18 | 83 | 34 | 37 | 172 | 15 | 81 | 21 | 22 | 139 |
| AUG | 18 | 80 | 40 | 36 | 174 | | | | | |
| SEP | 18 | 78 | 37 | 37 | 170 | | | | | |
| OCT | 17 | 68 | 31 | 36 | 152 | | | | | |
| NOV | 17 | 71 | 26 | 36 | 150 | | | | | |
| DEC | 16 | 66 | 23 | 33 | 138 | | | | | |

* 6 for the USAF.

** 7 to be leased.

9/18/76

The President today directed Secretary of Transportation William Coleman to make a comprehensive report on aircraft noise, including recommendations to be presented, by December 1, 1976 for presentation to the 95th Congress.

After a series of meetings with Secretary Coleman, environmental and economic advisors, the President concluded that a long-range program must be undertaken to reduce aircraft noise in and around American airports.

The study is to include an evaluation of the airlines capacity to raise the capital to meet all commercial aircraft standards imposed on aircraft now being produced.



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Noise
M.E. Lewis

9/18/76

There is a problem. ~~There is~~ of
no other initiative, other
ways. - and take the
credit for.

Wegen curfew - ec argument
won the result
#1 \$ loss to Baton
economy - no parts of
curfew restricted down.

Airport operators -

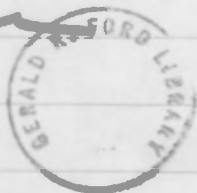
Noise policy should be
put into effect

69 - FAA. by on noise.
Any number of new laws.

74 - ~~any statute~~ but all
coming off production lines.

Now. program
others comply.

Bus. better upon than
unprofitable.



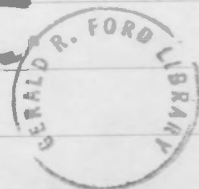
P - What is failing the various
keys on new plans?
What is demonstrated benefit?

New plans -
help prevent noise.

Trans: Various other Act of
72 - would have given
various Reg to EPA

What further can we
do with FAA & DOT
on A/C noise -
with EPA proposing
regulation & FAA
What FAA must
publish, use, etc.

We believe A/C noise is a
national problem - series
of local problems



very strongly in favor specific areas
away at airports

July morning this ~~is~~
is near + more citizen
agreement to not open

20-30 airports where
there is significant public -
lawrence, attorneys,

EA wants to not stop request.

Real problem - but very much
tied to future health of
air transport & air cargo
industries.

Lack of Federal motor
vehicle units.

EPA - proposes more stringent
4 vs 6 or 7

EPA - even sets a dirt/
criteria.

EPA & FAA agree on
diesel figures.

We have - FAA - stored
policies us - all affected
account showed to
plan & out a contract
within 10 year time

We have ? of judgment on these
ways can go.

Bring no's to
90-100 dollars depends
on angles

10 dollar up

Bertand - Revenue data -
we do feel revenue
problem - try to get

to small segment of pop.

unimportant problem

danger to people who
not players - being
"paid for" by people
who not causing problem.

user tax - right approach

We do see a need here -

would prefer shorter this from

would this feel strong a

→ environmental impacts

Paul We Avery -

outlook -
total start A/L by mid. 80s
down to 1800
what - draw for 600-700 -
explain it better

600-700 of pass case

work comes a forward outlook
for A/L to meet capacity
given by slotting conditions
& what conditions.

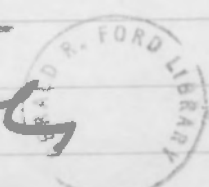
D.L.J. - Ben problem is

regulatory problem -

CAB number to JEC & A/L

will see into same

problem as is -
under what price controls



CAB looks at Webster
put costs - puts real
decs on power

Voluntary is very important
below car to work on
open unit - clear to

moving to voluntary
when very forced -
is all to my paper.

That is road to r v's

only 1 man down before
retroactive occurs

If man stopped by -
200 / 1800 - 200 at
then - still in over

+ not explored —

the value of 200 —

about 100 — would
probably be explored by
bombers & fighters

What column then
describes from 100

a/c that there
would be —

on 3 or 4 articles

you would have to
to Delta & contact
which would have
~~the~~ might anyway



Intermittent - like pub
over ↓ ↓ ↓

only 1/3 dollars
down would have

We strongly up want
to get up to see
I can get an 'idea

drink up - to solve
capital ~~character~~ program

We don't see up
now -
This is a substitute
for up up

R # 3 ~~B~~ Fed of
4 B for places

lynn

Can't derive my from
purvis -

Is it a problem, given
overall picture of problems?

main = $\# A/C \times \text{No of techs}$
✓ Lundberg's .
