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OCTOBER 8, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

As part of my program to strengthen the Nation's economy through greater reliance on competition in the marketplace, I announced earlier this year my intention to send to the Congress a comprehensive program for the reform of transportation regulation. In May, I sent to the Congress the Railroad Revitalization Act aimed at rebuilding a healthy, progressive rail system for the Nation. Today, I am pleased to submit the Aviation Act of 1975 which will provide similar improvements in the regulatory environment of our airlines. To complete the package, I will soon forward similar legislation for the reform of regulation governing the motor carrier industry.

The result of the regulatory reform measures proposed in this legislation will have a direct and beneficial impact on the American consumer. Countless Americans use air travel on a regular basis in their jobs and for leisure activities. But for many Americans, air travel has become a luxury too expensive to afford. Part of today's high costs of air transportation are attributable to inflation and the rising cost of fuel and labor. But long years of excessive economic regulation also have added extra costs.

In 1938, when the Congress authorized the creation of the Civil Aeronautics Board, there was a belief that some form of Government intervention was needed to protect the infant airline industry. Accordingly the Board was instructed to regulate this industry to promote its growth and development. Entry into the industry was strictly controlled. Even those airlines allowed entry into the industry were controlled rigorously with respect to the markets they could serve and fares they could charge. Real competition was intentionally dampened.

In the almost four decades since economic regulation of airlines was established, this industry has grown tremendously. It can no longer be called an infant. Consequently, protective Government regulation established to serve the particular needs of a new industry has outlived its original purpose. The rigidly controlled regulatory structure now serves to stifle competition, increase cost to travelers, makes the industry less efficient than it could be and denies large segments of the American public access to lower cost air transportation. In a number of studies, economists estimate the cost of air transportation to American consumers is far higher than necessary as a result of overregulation.

The overriding objective of the proposed legislation is to ensure that we have the most efficient airline system in the world and the American public is provided the best possible service at the lowest possible cost. We must make sure that the industry responds to natural market forces and to consumer demands rather than to artificial constraints of Government. This legislation would replace the present promotional and protectionist regulatory system with one which serves the needs of the public by allowing the naturally competitive nature of the industry to operate. It provides the airline industry increased flexibility to adjust prices to meet market demands. And it will make it substantially easier for firms who wish and are able to provide airline services to do so. These measures will be introduced gradually to permit the industry to adjust to a new regulatory environment. Government will continue to maintain rigid safety and financial standards for the airlines. But the focus of the new regulatory system will be to protect consumer interests, rather than those of the industry.

(MORE)

I urge the Congress to give careful and speedy attention to these measures so the more than 200 million passengers who use our airlines every year are given the benefits of greater competition that will flow from regulatory reform of this industry.

GERALD R. FORD

THE WHITE HOUSE,
October 8, 1975

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