

AMERICAN PARTICIPATION IN WORLD AIR TRANSPORTATION

Talk By

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The United States has emerged from the war with the world's greatest air power and many presume that we will retain that leadership. Perhaps so, but air power is neither built nor maintained with presumption alone and it is dangerous to assume that we will retain leadership solely because we are presently ahead. Air power is dynamic and ever-changing and the United States will retain world leadership only if we devote to the problems of peacetime the same meticulous attention and the same hard driving effort which brought us wartime air power and victory.

Air Power consists of three things: 1. Military striking force. 2. Air transportation capacity. 3. Aircraft productive capacity. Air transportation is one of the three basic elements of national air power and no nation can have effective air power without recognition of that principle and without provision of adequate air transportation in its air power program.

During the war, the United States gained undisputed leadership in military air transportation. Air Transport Command, Army Air Forces, alone, ended up VJ Day with a force of 250,000 men and women; operating over 188,000 miles of international airways and from 400 overseas bases; transporting annually more than 2,000,000 passengers, 1,000,000 tons of military cargo and carrying 60,000,000 letters a month to the soldiers and sailors overseas. This single Command dwarfed all pre-war air line operation and it gave to America - new pioneers of the last frontier - the sky.

But, now the war is over and what are our plans to retain air transport leadership for the United States? What are our policies for international air transportation? Perhaps they can best be discussed by listing the principle policy problems and ascertaining what is being done about each of them. These problems resolve themselves into:

1. Policies governing the conduct of international civil aviation which the United States will advocate or to which the United States will subscribe.
2. The organization which we will provide within the government of the

United States to insure orderly and effective participation in world aviation affairs.

3. The form in which the air carriers of the United States will participate in the operation of world air transportation.

On the first of these, the formation of the policies of the United States, much work has been done; much, also, remains to be done.

The first International Civil Aviation Conference was held in Chicago in November and December, 1944, attended by the representatives of more than fifty nations. From that Conference there emerged the framework of a United States International Civil Aviation Policy. This proposed policy of the United States became popularly known as the Five Freedoms and included:

1. The right to fly across the territory of a foreign country.
2. The right to land for fuel, repairs or non-traffic purposes.
3. The right to discharge passengers in a foreign country.
4. The right to pick up passengers in a foreign country when destined for the home country of the airplane.
5. The right to transport passengers, and cargo, between foreign countries along any certificated route of a United States air carrier - with comparable privileges to be accorded air carriers of other nations.

These principles have gained general acceptance from many of the important nations of the world and treaties between those nations and the United States have been entered into on that basis. As yet, an agreement has not been concluded between the United States and Great Britain but representatives of the two countries are meeting in Bermuda this month and there is reason to believe that an accord on international aviation will be reached.

Another problem of policy worthy of your attention is the matter of controlling the rates to be charged for international air transportation. You will notice that the principles involved in the Five Freedoms permit the operation of transport aircraft but do not include provisions with respect to the rates to be charged for

transportation on such services.

It is obvious that the British, the Russians, the French, the Scandinavians, the Dutch and all principal nations of the world will want to, and will, participate in the operation of international air transportation services. Companies representing the principal nations will be operating to and from the United States and they will be competing with United States air carriers operating comparable services.

There is reasonably unanimous agreement among the principal nations of the world that cut-throat competition, rate wars and subsidy races should, to the fullest extent possible, be avoided. There is presently a world demand for the opportunity of operating international air services at rates which are fair and reasonable, rates which will permit the operators to conduct their services at fair economic levels.

Many vehicles for achieving sensible rate structures have been proposed. At the Chicago Conference, Great Britain and Canada proposed an international regulatory agency, patterned to some extent on the Civil Aeronautics Board of the United States, with authority delegated by the nations to such agency to fix and establish fair and reasonable rates for international air transportation. The United States took the position that it was neither willing nor ready to delegate the rate fixing authority of its government to an international agency. Other nations expressed the same viewpoint and the proposal died from lack of support.

The next proposal was that rates should be fixed by agreement between the participating nations, acting through an international organization created for that purpose and operating at government level. The position of the United States was that this form of organization inherited too many of the disabilities of the international regulatory agency and this proposal, also, died, from lack of support.

Keeping in mind the necessity of having some forum or organization by which international air rates could be established at economic level, the next proposal was that the rates should be set by discussion among the airline operators, acting through an organization to be known as International Air Traffic Association, commonly called IATA. The membership of this association would be composed of the air

lines of the world operating in international service. It is intended that the membership of IATA would periodically meet and endeavor to reach agreement upon the structure of rates for international operation.

The principle and organization of IATA provides two things, designed for the protection of the operators and for the protection of the nations and the national publics; first, rate structures could be established only by unanimous consent and agreement. This prevented any individual operator, or the operators of a nation, from being bound to a schedule of rates against their will. Second, any agreements reached at meetings of IATA were subject to the later sanction of the regulating agency of the government of the individual nations. In the case of the United States, if the United States operators participated in agreements at a meeting of IATA, the rates there established could not be made effective by the United States air carriers until the agreement, and the rates covered by the agreement, had been sanctioned by the Civil Aeronautics Board.

At a meeting of IATA, if any individual member votes against a proposal, no agreement can be reached and no rates can be made effective by agreement. Thereafter, until and unless subsequent agreement is reached, each air carrier can, insofar as IATA is concerned, institute any rates which the carrier deems appropriate.

By requiring unanimous agreement, the air carriers are afforded protection, and, by requiring subsequent approval of agreements by the Civil Aeronautics Board, the public and the air carriers are both protected.

Opponents of this program endeavor to stifle it by labeling it "cartel". It is probable that but a small percentage of the people know what a cartel really is, but that designation has acquired an evil smelling reputation and most people are against cartels, in total. They should be, in my opinion, against cartels, but they should be careful in applying that label to all international organizations without understanding their intent and workings. Rather than go to the trouble of explaining the issues involved in the creation of IATA, however, its principal opponents have endeavored to attach the label of "cartel" and thus damn the organ-

ization in public consideration.

I do not say that the principle of operators conferences, personified by the IATA form of organization, is the ultimate answer to the problem of international air rates. I do say that it is not sensible for the nations of the world to engage in extensive international air operation without providing some organization or vehicle for forming sensible rates. Complete absence of opportunity to establish sensible rates will provide too much incentive for cut-throat competition and subsidy races. Now that the nations of the world are inclined to avoid the international bitterness and the treasury-sapping subsidies of rate warfare, it is timely that we reach some agreement on how economic rates can be established and sustained.

Thus, the principle of IATA, as it affects the air carriers of the United States, is that this is an organization premised upon the establishment of economic rates only by unanimous agreement of the participating members and thereafter any agreements in which a United States carrier participates, is subject to the review and sanction of the Civil Aeronautics Board. It is most difficult to see how a "cartel" could survive in that atmosphere.

We must have rate making principles in international air commerce and these principles must bring economic rates. Further, we must have some method of making those rates effective and to provide that they can and shall be changed and modified as conditions in international air transportation change.

The United States discarded the principle of an international regulatory body. Next it discarded the principle of fixing rates by agreement at government level. The third alternative is the fixing of rates by discussion among the operators, subject to later sanction, or lack of sanction, of those agreements by the Civil Aeronautics Board.

If this country is to participate in international affairs, including international civil aviation, we will never secure a position of influence, prestige or leadership by simply saying "I won't play". If we are not in favor of an

international regulatory body, if we are not in favor of agreement on rates at government level and if we are not in favor of the principles of the IATA organization, what do we favor? It is not conducive to sensible participation in international affairs to be against everything proposed and to have nothing tangible to offer in substitution.

Let's do away with this nonsensical talk about "cartels". No United States air carrier has ever been in favor of cartels; no cartel could operate effectively under the rules, regulations and principles of IATA, and IATA, in my opinion, is no cartel.

I am in favor of the air carriers of the United States participating in the international conferences of IATA until something more sensible comes along to take the place of IATA. I see no way in which the United States air carriers can be damaged by such participation and I do believe that IATA affords a reasonable chance of avoiding subsidy races between nations. I believe that the public interest of the United States can and will be protected by the Civil Aeronautics Board, and I see no way in which the prestige of the United States can be enhanced by adopting the attitude that it will engage in no form of international organization created for the purpose of establishing sensible rates. Let us try IATA, as being the only sensible program now available, and learn from experience whether or not IATA is workable and whether or not something better can be devised.

Now, for a moment, let us talk about the department of the government which deals with international civil aviation. The conduct of international aviation requires agreements between participating governments. For that reason, basic responsibility for implementing the policies of the United States lies with our Department of State.

International aviation is, after all, but another form of international transportation. Much of our transportation background and experience comes from the British, for the British were engaged in world commerce before the formation of this country. I believe that we know how to operate transport airplanes better

than the British, but it may be that they could give us a lesson in how to organize the government departments having to do with the international air policies of the government.

The British government organization includes a Minister for Civil Aviation and an Under Secretary of State for Air. Thus, the British say to themselves, and to the world: "Our participation in International civil aviation is of importance to the country: we recognize that importance and intend to make it possible for our public servants to accomplish our policies." Thus, in Great Britain, international civil aviation is on Cabinet level and the problems of civil aviation readily receive attention on that level.

In the United States, international civil aviation is entrusted to a section in the Communications Division, which Division, in turn, reports to an Assistant Secretary of State. If civil aviation is on Cabinet level in Great Britain, it is evidently on third row below Cabinet level in the State Department of the United States. In international gatherings at which civil aviation is discussed, why should the delegates from the United States be recognized as dealing with an important subject when the title and prestige which we bestow upon our representative does not indicate that we consider the subject to be of great importance. Rather, do we not advertise that international civil aviation is not of sufficient importance, in the program of the United States or to the government of the United States, to warrant our representative being accorded a position and title of dignity and prestige?

We have had for long time an Assistant Secretary of War for Air, an Assistant Secretary of Navy for Air, and an Assistant Secretary of Commerce for Air. Isn't it high time that we give the State Department the tools which it requires to do the job. It has been advocated before that we have an Assistant Secretary of State for Air. No one seems to challenge the need for this position and title, but, at the same time, no one seems to do anything about it. The creation of an Assistant Secretary of State for Air, with the able and experienced organization

which he will require, is of national necessity and the Editors of this Country can help a lot by insisting upon its provision.

On the form of participation in international aviation by the United States air carriers, you have heard long and confusing debate. This argument will be readily identified by you as the "chosen instrument". Some have been unkind enough to say that this dignified sounding name was chosen in preference to the more descriptive title of "monopoly", but that is a matter of opinion.

The proponents of the "chosen instrument" usually endeavor to open discussions on this subject with the statement that "the country should have a policy". If you start there and follow along that road, you are confused from the beginning. This country has a policy for international aviation, and has had that policy since the passage of the Civil Aeronautics Act of 1938. That Act states it to be the policy of the Congress and of the United States that United States civil aviation, both domestic and overseas, shall be conducted on the principle of reasonable and regulated competition. The Civil Aeronautics Board has legislative instruction to conduct the affairs of civil aviation on that basis and it has been doing so since 1938.

A bill to provide a "chosen instrument" for the overseas air commerce of the United States was introduced in the Senate and heard in committee last year. The purpose of that bill was to change the existing policy of the United States from regulated competition in overseas air commerce to the policy of a "chosen instrument". Call it what you like, the principle of the "chosen instrument" involves putting all of the overseas air operation into one organization and that, in plain English, has usually been dubbed "monopoly" in this country.

Copies of this bill were circulated among the departments of the government; The Navy, Army, State, Commerce, Justice Departments and the Civil Aeronautics Board. The record of the hearings on this bill indicate that not one single department of the government favored the creation of a "chosen instrument" for

United States overseas air transportation. Those responsible departments of our government had the opportunity of reviewing the benefits of putting all of our eggs into one basket and in creating or permitting a single company to represent the United States in international air commerce; not one of them favored the principle of the "chosen instrument". The "chosen instrument" plan gets a new shot of adrenalin each year and annually the proponents of the plan trot the old horse out for a new try at the cup. It is doubtful that we should waste further time on this argument; it has had its day in court and has not won the backing sufficient to give it strength. Its merits must be slim if no department of the government can be found to encourage its passage. It is doubtful that the "chosen instrument" will ever be adopted in this country; it just does not fit our time tested methods of doing business. The quicker we lay the grave of this ineffective principle the more time we will have to devote to projects better designed for the common good.

International civil aviation is a broad and complex subject; it has many problems and difficulties but at the same time it has great opportunity for national and international public service. The benefits which will come from the sensible utilization of air transportation will do much to bind up the wounds of war and permit the citizens of the world to live peacefully together. Where the opportunity is great the responsibility of accomplishment is equally great. We have, therefore, great responsibility to see that air transportation is made available, is utilized, and is utilized for the common good.

Let us then clear the decks for the job ahead. Let us give the people in our State Department the aid, prestige, and assistance which they require. Let's bury the old issues and not waste our time digging them up each year. Let us realize that air transportation is now international and that we cannot engage in international commerce unless we are willing to contribute our time, our experience, and our prestige to undertakings designed to be of aid to orderly international commerce.

The world looks to us for leadership and we must behave like leaders.