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THE WHITE HOUSE
WASHINGTON

September 6, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: L. WILLIAM SEIDMAN
FROM: JAMES E. CONNOR *je*
SUBJECT: U.S. International Aviation Policy
Statement

Confirming telephone call to your office, the President reviewed your memorandum of September 1 on the above subject and approved the recommendation of the Economic Policy Board to adopt and issue the new Statement of International Air Transportation Policy.

The signed statement has been forwarded to Bob Linder for handling at the appropriate time.

Please follow-up with any other action that is necessary.

cc: Dick Cheney
Robert Linder

8/9/76

THE WHITE HOUSE
WASHINGTON

September 1, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *fws*

SUBJECT: U.S. International Aviation Policy Statement

In 1963 and in 1970 the White House issued international aviation policy statements designed to serve as policy guidance for government officials in dealing with international aviation matters. Changed circumstances have given rise to problems that were either nonexistent or considered negligible when the most recent statement was issued in 1970 including significant excess capacity, a noncompensatory and discriminatory fare structure, an ambiguous relationship between scheduled and charter services, and the difficulty of expanding gateways and other new services while maintaining the economic viability of existing services.

Early last year, the Economic Policy Board established a Steering Group, chaired by the Departments of Transportation and State, to review U.S. international aviation policy with a view to preparing a new policy statement. The Steering Group, which devoted extensive time and energy to the task and benefitted from the views of an array of interested nongovernmental parties, has now completed its review. The Economic Policy Board, after considerable discussion and deliberation, has approved the policy statement which, along with a summary, is attached at Tab A.

The Economic Policy Board unanimously recommends that you adopt and issue the new policy statement. The Departments of Defense and Justice, who also participated as members of the Steering Group, recommend that you approve and issue the statement.

U.S. goals in international aviation differ substantially from those of most other nations. The policy statement reaffirms our preference for the play of competitive forces in, rather than government control of, the international aviation marketplace.

The Aviation Act of 1975, which you proposed to the Congress last October, focuses on domestic air transportation policy matters. While recognizing the differences between the

domestic and international aviation environments and the need to cooperate with foreign governments, the new policy statement stresses the need to reform regulatory policies that inhibit realization of improved lower-cost scheduled and charter-type services and enhanced economic viability of international operations.

The Departments of Transportation and State are anxious that the statement by issued prior to the September 9 air services negotiations with the United Kingdom. On June 22, 1976, the United Kingdom renounced the U.S.-U.K. air services bilateral agreement (commonly called the "Bermuda Agreement"), stating that, because its share of benefits is only half of ours, a new agreement is needed to assure equal benefits for each side. Japan and Italy have similar concerns. The State Department feels that a clear and forward-looking policy statement will strengthen the U.S. negotiating posture vis-a-vis these nations.

John Robson, the Chairman of the Civil Aeronautics Board, has submitted some thoughts on the timing of issuing a new policy statement which are in a paper attached at Tab B. He suggests that the resolution of various pending "real world" matters such as the U.K. negotiations and the development of a policy statement should be carried forward in tandem.

This memorandum has been staffed to the appropriate White House offices who have the following comments: (See Tab C)

Philip Buchen

The Statement seems to be a logical and wise definition of policy. I particularly support the emphasis on the need to reform regulatory policies that presently inhibit the ability of the industry to achieve improved lower-cost scheduled and charter services and that inhibit the ability of U.S. carriers in foreign markets to achieve equal competitive opportunities.

I tend to agree with the State Department that a clear policy statement would strengthen the U.S. negotiating posture, vis-a-vis the United Kingdom, Japan, and Italy.

James M. Cannon

I support the policy statement. I also approve of immediate issuance.

John O. Marsh

It seems to me appropriate to issue an aviation policy and this appears to be a very constructive effort.

Brent Scowcroft

I agree with the unanimous recommendation of the Economic Policy Board that the President adopt and issue the proposed statement during the week of September 7.

Douglas Smith

The Editorial Office approves the Presidential statement at Tab D.

Max Friedersdorf

Robson's argument makes sense, but I defer to the unanimous decision of the EPB unless you see any damaging domestic political implications. If the decision is to go forward with the policy statement the week of September 7 we should brief the House and Senate Transportation Committees.

Recommendation: The Economic Policy Board unanimously recommends that you adopt and issue the new Statement of International Air Transportation Policy and sign the Presidential Statement attached at Tab D.

Approve

MCf

Disapprove

THE WHITE HOUSE

Washington

International aviation is essential in a world that has become economically interdependent. Historically, the United States has had a leadership role in the development of international air transportation and intends to continue that role.

Aviation is an essential part of the foreign commerce of the United States. It is required for mail, high priority cargo, government, business, and urgent personal travel. A desirable low-cost means of international pleasure travel, aviation helps bring the people of many cultures and nationalities together, creating a greater sense of friendship and mutual understanding.

The United States seeks an international economic environment and air transportation structure conducive to healthy competition among all air carriers. We shall rely upon competitive market forces to the greatest extent feasible, for it is a basic tenet of our economic philosophy that marketplace competition provides improved services and permits the well managed carrier to earn a profit while lowering total costs. At the same time, we recognize that other nations may differ in their view as to how such transportation should be organized and operated. We shall work through appropriate bilateral and multilateral forums to bring about constructive change for the benefit of air travelers, shippers, and carriers of all nations.

The international air carrier industry should continue to have the primary responsibility for adapting its air transport product to public demand. Regulatory regimes imposed by governments should not stifle the industry's flexibility to respond to this demand, nor should they remove incentives to keep costs low.

The Economic Policy Board Task Force on International Air Transportation Policy, chaired by the Departments of Transportation and State, has recommended a comprehensive statement of United States policy. The statement sets forth the objectives the United States will seek in negotiations with other nations. It also calls for balanced revisions of certain regulatory policies of the Civil Aeronautics Board.

I am approving this statement of international air transportation policy to supersede the one issued June 22, 1970, and am directing that this new statement of policy guidance be used henceforth by officials of the Government in dealing with international aviation matters.

Gerald R. Ford