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NOMINATION—CIVIL AERONAUTICS BOARD

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HEARING

BEFORE THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-FIFTH CONGRESS

SECOND SESSION

ON

NOMINATION OF

GLORIA SCHAFFER, TO BE A MEMBER, CIVIL AERONAUTICS
BOARD

AUGUST 21, 1978

Serial No. 95-122

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Committee on Commerce, Science, and Transportation



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REPORT

OF THE

COMMISSIONERS OF THE GENERAL LAND OFFICE
IN ANSWER TO A RESOLUTION OF THE HOUSE OF COMMONS
PASSED ON THE 12TH MARCH 1874
RELATIVE TO THE LANDS BELONGING TO THE
CROWN AND TO THE SEVERAL STATES

NOMINATION—CIVIL AERONAUTICS BOARD

MONDAY, AUGUST 21, 1978

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, D.C.

The committee met at 10:05 a.m. in room 235, Russell Senate Office Building, Hon. Howard W. Cannon (chairman of the committee) presiding.

OPENING STATEMENT BY THE CHAIRMAN

The CHAIRMAN. The hearings will come to order.

Today's hearing is on the President's nomination of Gloria Schaffer, a Democrat from the State of Connecticut, to become a member of the Civil Aeronautics Board.

The nomination is to fill the remainder of a term expiring December 31 of this year and for a new term of 6 years beginning January 1 next year.

Mrs. Schaffer is currently the secretary of state of Connecticut and has held that position for the past 7 years. She has had a distinguished career in government with the State of Connecticut.

Mrs. Schaffer has submitted a financial statement to the committee which will be available for public inspection in the committee's office, and a biographical sketch which will be made a part of the record.

The committee has also received written reports from the General Counsel of the CAB and the Department of Justice on the nominee's financial holdings with a finding that there are no conflicts of interest which would preclude her from serving on the Board.

[The biographical sketch and questions and answers follow:]

BIOGRAPHICAL SKETCH OF GLORIA SCHAFFER

Name: Gloria Louise Wilinski Schaffer.
Address: 51 Tumblebrook Road, Woodbridge, Conn. 06525.
Date and place of birth: October 3, 1930—New London, Conn.
Marital status: Married to Eugene Schaffer.
Name and ages of children: Susan Schaffer 28 and Shephen Schaffer 25.
Education: Sarah Lawrence College 1948-50; Albertus Magnus College, special student 1954-55.

EMPLOYMENT RECORD

Administrator of the Clifford Beers Child Guidance Clinic—1968-70, 1 State Street, New Haven, Conn. I worked directly under the director and chief psychiatrist, Dr. Alan Gurwitt.

Weekly Television panelist, Ch. 3 (Hartford) 'What in the World (a highly popular quiz program) 1967-73. Baker Advertising Co., 621 Farmington Avenue, Hartford, was the employer.

GOVERNMENT EXPERIENCE

Secretary of the State of Connecticut 1971—present.
 State Senator, 14th District—1959—1971 (6 terms).
 Democratic candidate for U.S. Senate—1976.
 Connecticut representative to Board of Managers of Council of State Governments 1967—70.
 Representative to White House Conference of Education—1962.
 Member of National Education Commission of the States 1968—70.
 Chairperson of Legislative Study on Health & Hospital Costs in Conn. 1968—69.
 Vice-chairperson of the Northeast Commission on Federal and Intergovernmental Relations 1967—70.
 Chairperson-Clean Campaign Committee-1972 (Committee I established to rewrite Conn. campaign financing laws).
 Member of Federal Elections Advisory Panel 1975—76.
 Secretary of the National Association of Secretaries of State 1977—present.
 Member of Committee for a Study on Saccharin and Food Safety Policy, National Academy of Sciences, Institute of Medicine and Assembly of Life Sciences, 1978.
 Co-chairperson of Committee to Study the Law of Corporations & Other Business Organizations 1977—78.

MEMBERSHIPS

Fellow, Branford College, Yale University.
 Former member of Board of the University of New Haven.
 Member of Advisory Committee of Women's Campaign Fund.
 Member and former officer of Connecticut (Woodbridge-Bethany) League of Women Voters.
 Former member of Board of New Haven Arts Council.

POLITICAL AFFILIATIONS AND ACTIVITIES

Member of Connecticut Democratic Platform Committee 1966 and 1970.
 Chairperson, "Operation Support" 1961—63.
 Co-chairperson of 1976 Platform Committee for the Democratic National Convention.
 Member of Woodbridge, Connecticut Democratic Town Committee—1954 to present.
 Member of National Democratic Advisory Council of Elected Officials.
 Financial contributions: I have made contributions of \$200 a year to the Connecticut Democratic State Central Committee since 1970. I have contributed under \$50 to the campaign of Mayor Frank Logue of New Haven, \$100 to Clifton Leonhardt, candidate for the State Senate—my husband has contributed \$100 or less to the campaigns of Congressman Robert Giaimo, Senator Abraham Ribicoff and Mayor Frank Logue.

HONORS AND AWARDS

Honorary Doctorate in Public Administration—Albertus Magnus College.
 National Merit Award—National Council on Crime and Delinquency.
 Human Relations Award of the National Conference of Christians and Jews—Connecticut-Massachusetts Region.
 New London County Bar Association Service Award.
 Honorary member of Connecticut Association for Advancement of School Administrators.
 Honorary member of Alpha Delta Gamma Society (a national Association of women educators).
 Herman P. Kopplemann "Man of the Year" Award.
 Published writings: A Study on Racial Discrimination in Housing—Yale Scientific Review, 1949.

ANSWERS TO QUESTIONS BY SENATOR SCHMITT

Question. Explain how you will support the concept that the public interest requires that deserving small communities should receive a minimum level of subsidized service?

Answer. Legislation is necessary in order to change the present subsidy system. S. 2493 wisely, in my judgment, changes the basis of the present subsidy now directed to meet the needs of the airline carriers to subsidies determined by the needs of communities for adequate airline service.

The legislation directs the CAB to review new communities' service needs one year after enactment. If I am confirmed, and if this legislation passes the House, I think this review should be a priority consideration for the Board and I would expect to be very much involved in this effort.

S. 2493 gives the CAB direction, responsibility, and authority to maintain a comprehensive system of continuous scheduled airline service to small communities and isolated areas. If I am confirmed, I would expect to exercise my vote in a manner that would fulfill this mandate.

I think ease of entry provisions in S. 2493 will also improve the chances for increased and improved small community air service.

The members of the Senate Commerce Committee deserve great credit for the carefully constructed guarantees of retaining established service and for the incentives for new and improved service to small communities contained in S. 2493. I know you, among others, played a major role in this effort.

Question. Would you agree that some small communities, especially in the West, are so isolated that they deserve special treatment in terms of air service? Explain.

Answer. I agree that priority should be given to small isolated communities. In determining subsidy eligibility needs, the isolation factor of a community from major airline markets should be regarded as a primary consideration in determining eligibility.

I believe that scheduled airline service is not a luxury for these communities, but rather a necessity.

Question. If confirmed, will you stand up for the enforcement of current law until regulatory reform legislation is enacted? (Some argue that the Board is moving too fast, so please discuss.)

Answer. I believe it is the solemn responsibility of one who serves as a member of a governmental body to exercise his or her authority within the bounds prescribed by the law. Whether or not one agrees with the law, it must be obeyed.

Although I consider myself far from expert and knowledgeable about all of the decisions and actions taken by the Board since Dr. Alfred Kahn became chairman, I do believe that the major policy changes that have occurred are within the scope of authority contained in the present Act.

Question. Please discuss how the Board can listen more attentively to and consider the views of small communities when determining small community air service needs?

Answer. S. 2493 wisely mandates consultation and cooperation between the CAB and our nation's communities in determining their air transportation needs. This means that Board members as well as staff should have first-hand tem- of the problems involved.

I think it is important for a Board member to be informed and sensitive to the needs and expectations of groups and individuals involved in this vast and complicated industry—that includes members of Congress, government agencies, the "industry", community groups, and individual consumers. Obviously, it is unrealistic to expect that one can satisfy them all—but many often conflicting points of view must be weighed in determining what is best (or "consistent", in the words of S. 2493) for the public convenience and necessity.

Question. How will you exercise your "consumer oriented" views in protecting small communities from losing capacity to larger, more profitable routes?

Answer. I have based much of my response to your questions on the expectation that the Congress will enact an airline regulatory reform bill that will contain provisions identical or similar to S. 2493, guaranteeing service to small communities. This legislative mandate would commit the Board to working with the community to develop the best type of service in each instance. I look forward to working as a member of the CAB, if I am confirmed, carefully fulfilling this new broad and exciting mandate.

If this legislation fails to pass, I would hope to be an effective Board member working for its passage in the next session.

If the proposed new regulatory legislation is not enacted in the immediate future, I think the Congress and the CAB, and all other interested and concerned parties, should consider exploring the introduction of legislation designed to meet the problems addressed in Sections 13 and 14 of S. 2493. (However, I strongly believe the over-all approach embodied in S. 2493 is preferable.)

The CHAIRMAN. My good friend and colleague, Senator Ribicoff, is here to introduce the nominee.

We are happy to have you both here, and Senator Ribicoff, you may proceed.

**STATEMENT OF HON. ABRAHAM A. RIBICOFF, U.S. SENATOR
FROM CONNECTICUT**

Mr. RIBICOFF. Thank you, Mr. Chairman. And after my statement I would hope I could be excused because the Finance Committee is taking up the tax reform measure.

Mr. Chairman, it is a privilege to present to this committee Gloria Schaffer, the secretary of state of Connecticut who has been nominated by the President to be a member of the Civil Aeronautics Board.

I have known Mrs. Schaffer for many years. She first came to the Connecticut State Senate while I was Governor. She drew attention as a young State senator because of her energy and the depth of her interests. She has served as secretary of the State of Connecticut since January 1971.

Gloria Schaffer has long held an interest in regulatory issues and their impact on people. She has served on panels looking at the regulation of health care costs in our State; at laws governing businesses and corporations in the State; and at the regulation of foods. Both as a State senator and as secretary of the State, Mrs. Schaffer has been active in the area of campaign finance regulation and campaign practices.

Today both the Congress and the Nation have begun to devote increasing attention to the regulatory issues, to when regulation is appropriate and necessary and when it is simply costly and burdensome. The Civil Aeronautics Board has been one regulatory agency which has taken the lead in regulatory reform. The actions of the Civil Aeronautics Board have a direct effect on large numbers of people and communities.

Gloria Schaffer would bring to the Board a keen and lively mind. Her interest in regulatory issues is long lived and broad. Beyond the theoretical concern, however, she has a concern for the actual results of decisions. This combination of insight, intelligence, and human concern is important for the Board and the country. I recommend her to you.

I'm sure, Mr. Chairman, knowing your deep and personal interest not only as chairman but as an individual in aviation, you and this committee will be proud of the job she will perform on that most important board, and I want to thank you for your courtesy, Mr. Chairman.

The CHAIRMAN. Well, thank you very much, Senator Ribicoff, for a very fine statement.

I don't know that you could have a finer recommendation, Mrs. Schaffer.

And Senator Ribicoff, we understand the demands of other committees, and in particular, your work on the tax reform legislation. We are delighted to excuse you so that you may proceed with that work.

Senator RIBICOFF. And Mrs. Schaffer tells me that she does not have a prepared statement but would be more than pleased to respond to any questions that you may have, Mr. Chairman.

The CHAIRMAN. Mrs. Schaffer, it is a pleasure to have before us today someone of your obvious talents and success.

At the outset of this hearing I want to say that your record in public service is commendable. After reviewing your qualifications, I think that you should be proud of your accomplishments.

I found that one of the most interesting aspects of your record is the very clear public position which you have taken on the quality of regulatory appointments. In your campaign for the Senate in 1976 you persuasively argued that the single most debilitating flaw in our regulatory system has been the chronic failure of Presidents to name, and the Senate to insist on the naming of, outstanding public servants, qualified by training and experience to implement the letter and spirit of the laws which they have sworn to uphold.

You then went along to emphasize, and I quote :

Currently, unqualified nominees all too often breeze through confirmation hearings, although there are encouraging signs that the practice is changing. Senate committees must submit nominees to a systematic and intense examination and questioning, both to disclose any potential conflict of interest and to make clear the nominee's regulatory philosophies. To do any less is to avoid their constitutional responsibilities.

Now, Mrs. Schaffer, I'm going to take you at your word on that in asking you a few questions.

One of your criticisms was and I quote :

The appointment process operates without any announced standards or qualifications for nominees. Nominations are rarely based on a systematic talent search that might produce the best possible candidate.

Now, my first question is whether your nomination was made as a result of the type of a process which you supported as a candidate for public office, a proposed process which included publicizing the names of all individuals under consideration to the public in order to give general public an opportunity to comment.

Do you believe that the White House engaged in the type of thorough systematic search for nominees which you advocated in your campaign?

STATEMENT OF GLORIA SCHAFFER

Mrs. SCHAFFER. Mr. Chairman, I can only think of how one's words often come back to haunt one at a later date.

I am not aware of the process that the White House pursued. However, I do believe that there was consideration of a number of nominees, as I have learned from the press. I hope that the words that I uttered back in 1976 are somewhat appropriate to the qualifications that I hope to bring to this new position. However, those words were not said at that time with any future self-interest in mind.

The CHAIRMAN. But you are not suggesting that the White House did make the names public of all individuals under consideration and give the general public an opportunity to comment?

Mrs. SCHAFFER. I am not aware that that procedure was followed.

The CHAIRMAN. Now another thing that you have said during the campaign was, and again I quote :

All too often crucial regulatory nominations have been made not on the basis of merit but as rewards for political service, as sinecures for inadequate officials ousted from other posts, as tokens of appreciation to favorite sections of industry, or as a booby prize for political candidates rejected by the voters.

Now, this is a very difficult question for me, and I sincerely ask it without any hostility, but in light of this very explicit and eloquent statement which you made, how would Senator Schaffer have voted on the nomination of a person to fill a post on regulatory commission who

apparently has no experience in or knowledge of the industry being regulated, has no experience in or knowledge of the field in which the industry is included, has no professional or academic background in the economics or law of Federal regulation, whose professional career is based almost entirely in politics, and who will probably have to spend weeks or perhaps months just getting acquainted with the jargon, the law, the economics, and the special characteristics of the industry being regulated?

Mrs. SCHAFFER. Well, I think, first of all, Mr. Chairman, that appointments to regulatory agencies are very difficult ones to make from the onset. Anyone who would have a great deal of inside knowledge about the particular industry—in this case, the airline industry—would probably not qualify as a nominee to the Board since he or she would be deemed to have had some sort of particular special interest.

Speaking for my own qualifications, I feel that almost 20 years involved in government in which I have had direct knowledge of legislative, regulatory, judicial, as well as executive functions in the government, I have had a deep interest in the nature of regulatory agencies.

During my campaign for the U.S. Senate, as you have quoted, I went into the matter in some depth. I have attempted to prepare myself as best I can in the short time available for the job that is at hand, and I hope very much that I have a fast learning curve because I think that is the most important thing in terms of undertaking a job of this responsibility and magnitude.

The CHAIRMAN. You have stated that you view your role as one of a consumer advocate.

This, of course, is a laudable mission, but I am concerned about what you consider to be in the best interests of consumers.

Now, let me give you an example for your reaction.

In some areas of society, public or consumer protection may indeed require increased government regulation. Good examples are those areas in which you have been active, such as health care and elections procedures.

In the air transportation field, however, in almost every case that I can think of, the consumers are better served by less regulation.

For instance, one of the issues currently being debated at the Board is whether new route authority should be made mandatory or permissive.

Some people, in what they believe to be in the best interests of consumers, argue that all route authority should be made mandatory so that service will be guaranteed. What they fail to see is that mandatory authority makes carriers very reluctant to enter into new markets, since they will not be allowed to pull out if the demand for service is not as high as they need to make a profit.

Do you believe that the traveling public is best served by a regulatory system which allows the maximum degree of freedom for carriers to enter and exit new markets without interference by the Government?

Mrs. SCHAFFER. Mr. Chairman, I must say that generally speaking I think that the traveling public as well as the industry and the best interests of the Government are best served by the new philosophy which is outlined in the bill which you sponsored and which was approved by a majority of the members of this committee.

I think that in rare instances—and one of my particular concerns is both the retention and the improvement of service to the smaller communities of our country—I think in those instances, not necessarily subsidization, but I think that a great deal of encouragement is going to be required by the CAB in order to insure a reasonable level of service to those communities.

The CHAIRMAN. As a member of the Board, one of your most important functions will be to determine whether proposed mergers and acquisitions should be approved.

As you know, Board approval of a merger of two airlines provides complete immunity to the carriers from Federal antitrust laws. Your responsibility in this area is, therefore, quite important. But it is far too simplistic to conclude that any merger which would reduce the total number of airlines in the country is contrary to the public interest.

The number of carriers offering service is of little importance compared to whether the carriers that are operating are in fact operating competitively.

During our examination of the airline industry we discovered that the barriers to entry are relatively low and that economies of scale do not exist to any substantial degree. These facts indicate that it is unlikely that any one or two carriers would be able to completely dominate the air transportation market for any substantial period of time.

All this has led me to the view that the most effective antitrust role which the Board can play is more in the area of opening up opportunities for new carriers and for existing carriers to expand rather than rigidly prohibiting small or medium-sized carriers from merging with each other.

Can you explain to the committee your philosophy on airline mergers?

Mrs. SCHAFFER. Mr. Chairman, I honestly have had no experience in this particular area. However, I would agree basically with the philosophy that you have expressed and which I think is expressed, again, in the bill which your committee has put to the Senate and which the Senate approved by an overwhelming vote.

I think that each question of merger has to be looked at individually, and has to be decided on its individual merits, and I don't think that there can be a single, overall statement of policy which would apply to all.

The CHAIRMAN. I sometimes worry that consumer groups might become disenchanted with regulatory reform in the economic periods or markets where it may produce a higher rather than lower fare. In the long run, of course, I believe that fares will generally be lower, because the marketplace will allocate resources more efficiently than Washington regulators.

Do you believe in regulatory reform on the assumption that it will generate low fares for consumers, or do you believe in reform because it will reduce Government regulation from major industries?

Mrs. SCHAFFER. I guess I believe in for both reasons. I think that the steps which have been carried out so far under the direction of Chairman Fred Kahn have certainly indicated at least for the short run that the consumers of this country are better served by less regulation in the airline industry.

I also think that this has been generally good for the industry and, therefore, I feel that really both ends are served by this new look at airline regulatory reform. I don't think that the same standards necessarily apply to all industries. However, we are talking about the CAB and the airline industry.

The CHAIRMAN. One of the most controversial issues in the debate on regulatory reform is that of automatic market entry. This is a proposal which would allow each airline to select a certain number of new markets each year without permission of the CAB.

How do you feel about allowing airlines to expand without any control from the Board?

Mrs. SCHAFFER. Well, I think that the Senate bill does provide for a reasonable amount of control so that this industry which has been somewhat protected by excessive regulation in the past will not suddenly be thrown completely open, and therefore the gradual phase in of the automatic entry procedures, I think will work exceedingly well.

The CHAIRMAN. On several occasions Chairman Kahn has stated publicly that his goal at the CAB is to put himself out of a job.

What is your goal if you are confirmed to this position?

Mrs. SCHAFFER. Now, I understand that Fred Kahn has tenure, and I don't know whether that colors his point of view.

I think it is very hard to say.

I would say that, again, without seeming to make self-serving remarks, I think it would be irresponsible for the Board to simply take its hands and its eyes and its oversight off this very vital part of our economy. I think that gradual deregulation is very much in order, and I can't predict what the period of time might be. There very well may not be a CAB sometime in the future, but when I could not say.

The CHAIRMAN. The President has nominated you to serve the remainder of Lee West's term which expires at the end of the year, and then another term of 6 years, which would expire in 1984.

If you are confirmed to this position, do you intend to serve your complete term?

Mrs. SCHAFFER. Yes; I do, Senator.

The CHAIRMAN. I note that we have another of our colleagues here from your home State, and I would like to ask the Senator if he desires to make any statement either for or against the nominee at the present time.

Senator Weicker, we are glad to have you here.

STATEMENT OF HON. LOWELL P. WEICKER, U.S. SENATOR FROM CONNECTICUT

Senator WEICKER. I was against her in 1976; I am for her in 1978.

Mr. Chairman, I apologize for my tardiness. I was where none of us want to be, in a dentist chair, for the last 2 hours.

But I did want to appear personally on behalf of Gloria. She is just tops. I've served with her in the State legislature in Connecticut when she was a State senator and I was a representative. I know every aspect of her in the sense that we were opponents in 1976. I can only say this: All of you fellows should try her on for size as an opponent. I think you would find yourself in a real match. She has been the top vote getter in the State of Connecticut, and there is reason for it. She

has got a lot upstairs in the way of brains and a wonderful personality and a tremendous warmth and understanding and a real human being. I would not hesitate to go ahead and give her the highest marks in the sense of a person to serve on the CAB or indeed any other governmental post.

There isn't really much else that I can say aside from that. It is not just a matter of being from her State and going pro forma through the routine in front of a Senate committee, but rather speaking with a great deal of feeling and understanding of this individual, and I think that she will make a fine member of the Civil Aeronautics Board, and I support the nomination 100 percent.

The CHAIRMAN. Well, thank you very much for a very fine statement of support.

Your senior colleague has also been here and made a presentation on behalf of her, and we are delighted to have you here.

Senator Zorinsky, do you have any questions, either of Senator Weicker or of the nominee?

Senator ZORINSKY. Well, I think Senator Weicker is to be complimented for making an outstanding statement in reaffirmation of his faith and confidence in Gloria's ability to serve on the CAB.

I would like to ask the nominee a question.

Senator WEICKER. Could I be excused, gentlemen?

The CHAIRMAN. Thanks very much.

Senator WEICKER. I just hope everything goes smoothly for her.

The CHAIRMAN. We understand the demands on your time, and we are delighted you came by and gave us the benefit of your views.

Senator ZORINSKY. I would like to ask you your thoughts, and you may have answered this prior to my arrival, but I am very concerned about airline service to smaller communities, since I represent a Midwestern State where possibly our market is not as lucrative or attractive to some of the major airlines as would the east coast be where there is a higher, denser population to draw from. During the evolutionary process of the airline deregulation bill, in cooperation with our distinguished chairman of the committee, I was allowed to add some amendments which would assure small communities a continuation of reliable airline service.

My question to you would be: If a situation arose concerning a mass exodus from unprofitable areas of service, would you aid those communities in the continuation, establishment, and the retention of an airline system? Because my feelings are that the airline industry should be looked upon as an overall system. If airlines all turned their attention to the lucrative and dense markets, the people in the sparsely populated States, my State being just one example, are concerned that a viable system be maintained so that there would not be a mass exodus of carriers from those areas.

Do you have some feelings on how far you would aid us or aid the system to maintain its integrity so that it not be destroyed by the competitive exodus from nonprofitable markets?

Mrs. SCHAFFER. Senator Zorinsky, I feel very strongly that both the retention and the improvement of airline service to the small and middle-sized communities in this country is one of the most important responsibilities that the CAB has, and hopefully the free enterprise system will also share some of those concerns.

However, in those instances, in my judgment, where service at the moment might not be profitable from the commercial point of view, I think that it is to the benefit not only of the communities but to the Nation as a whole that every effort be made to provide that service, including at times limited subsidization.

Senator ZORINSKY. Thank you. I appreciate that answer, because it is of prime concern to the people I represent, in addition to many others. In anticipation of the airline deregulation bill becoming law and working as it is envisioned to do, Omaha has had about 19 applications for new service, including a few airline companies from Alaska, which is almost unheard of. I think that is a tribute to a well-written and a well-conceived bill for it opens up the marketplace to competitive economics, which in turn will benefit the consumers of this Nation. I am certainly happy to hear that you are supportive of maintaining the system as a whole.

Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mrs. Schaffer. We are very pleased that you could be here and visit with us this morning.

That will conclude the hearings, and the committee will take the matter under consideration.

[Whereupon, at 10:30 a.m., the committee adjourned.]

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