

07 DEC 1983

For Six Month Period Ending

(Insert date)

Name of Registrant

Dickstein, Shapiro & Morin

Registration No.

3028

Business Address of Registrant

2101 L Street, N.W.  
Washington, D.C. 20037

I-REGISTRANT

1. Has there been a change in the information previously furnished in connection with the following:

(a) If an individual:

- |                       |                              |                             |
|-----------------------|------------------------------|-----------------------------|
| (1) Residence address | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (2) Citizenship       | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (3) Occupation        | Yes <input type="checkbox"/> | No <input type="checkbox"/> |

(b) If an organization:

- |                          |                              |  |
|--------------------------|------------------------------|--|
| (1) Name                 | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| (2) Ownership or control | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| (3) Branch offices       | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

RECEIVED  
CRIMINAL DIVISION  
JAN 11 0 35 PM '84  
INTERNAL SECURITY  
SECTION  
REGISTRATION UNIT

2. Explain fully all changes, if any, indicated in item 1.

N/A

IF THE REGISTRANT IS AN INDIVIDUAL, OMIT RESPONSE TO ITEMS 3, 4, and 5.

3. Have any persons ceased acting as partners, officers, directors or similar officials of the registrant during this 6 month reporting period? Yes  No

If yes, furnish the following information:

<i>Name</i>	<i>Position</i>	<i>Date Connection Ended</i>
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4. Have any persons become partners, officers, directors or similar officials during this 6 month reporting period?  
 Yes  No

If yes, furnish the following information:

<i>Name</i>	<i>Residence Address</i>	<i>Citizenship</i>	<i>Position</i>	<i>Date Assumed</i>
Howard S. Jatlow	10808 Kirkwall Terrace Potomac, MD	U.S.	Partner	8/1/83

5. Has any person named in Item 4 rendered services directly in furtherance of the interests of any foreign principal?  
 Yes  No

If yes, identify each such person and describe his services.

6. Have any employees or individuals other than officials, who have filed a short form registration statement, terminated their employment or connection with the registrant during this 6 month reporting period? Yes  No

If yes, furnish the following information:

<i>Name</i>	<i>Position or connection</i>	<i>Date terminated</i>
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7. During this 6 month reporting period, have any persons been hired as employees or in any other capacity by the registrant who rendered services to the registrant directly in furtherance of the interests of any foreign principal in other than a clerical or secretarial, or in a related or similar capacity? Yes  No

If yes, furnish the following information:

<i>Name</i>	<i>Residence Address</i>	<i>Position or connection</i>	<i>Date connection began</i>
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## II—FOREIGN PRINCIPAL

(PAGE 3)

8. Has your connection with any foreign principal ended during this 6 month reporting period? Yes  No

If yes, furnish the following information:

*Name of foreign principal*

*Date of Termination*

9. Have you acquired any new foreign principal<sup>1</sup> during this 6 month reporting period? Yes  No

If yes, furnish following information:

*Name and address of foreign principal*

*Date acquired*

Alitalia  
Palazzo Alitalia  
Rome, Italy

September 1983

10. In addition to those named in Items 8 and 9, if any, list the foreign principals<sup>1</sup> whom you continued to represent during the 6 month reporting period.

Italcable, USA  
Kuwait Airways  
Middle East Airlines

## III—ACTIVITIES

11. During this 6 month reporting period, have you engaged in any activities for or rendered any services to any foreign principal named in Items 8, 9, and 10 of this statement? Yes  No

If yes, identify each such foreign principal and describe in full detail your activities and services:

See Attachment 1

<sup>1</sup>The term "foreign principal" includes, in addition to those defined in section 1(b) of the Act, an individual or organization any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in major part by a foreign government, foreign political party, foreign organization or foreign individual. (See Rule 100(a)(9)).

A registrant who represents more than one foreign principal is required to list in the statements he files under the Act only those foreign principals for whom he is not entitled to claim exemption under Section 3 of the Act. (See Rule 208.)

12. During this 6 month reporting period, have you on behalf of any foreign principal engaged in political activity<sup>2</sup> as defined below?  
Yes  No

See Attachment 2

If yes, identify each such foreign principal and describe in full detail all such political activity, indicating, among other things, the relations, interests and policies sought to be influenced and the means employed to achieve this purpose. If the registrant arranged, sponsored or delivered speeches, lectures or radio and TV broadcasts, give details as to dates, places of delivery, names of speakers and subject matter.

See Attachment 2

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13. In addition to the above described activities, if any, have you engaged in activity on your own behalf which benefits any or all of your foreign principals? Yes  No

If yes, describe fully.

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<sup>2</sup>The term "political activities" means the dissemination of political propaganda and any other activity which the person engaging therein believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, persuade, or in any way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States or with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

## IV—FINANCIAL INFORMATION

## 14. (a) RECEIPTS—MONIES

During this 6 month reporting period, have you received from any foreign principal named in Items 8, 9 and 10 of this statement, or from any other source, for or in the interests of any such foreign principal, any contributions, income or money either as compensation or otherwise? Yes  No

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies.<sup>3</sup>

<i>Date</i>	<i>From Whom</i>	<i>Purpose</i>	<i>Amount</i>
7/5/83 and 8/1/83	Middle East Airlines	Compensation for legal services rendered and out-of-pocket expenses	\$10,249.33
7/7/83 and 8/1/83	Kuwait Airways	Compensation for legal services rendered and out-of-pocket expenses	\$26,271.59
<b>Total</b>			<b>\$36,520.92</b>

## (b) RECEIPTS—THINGS OF VALUE

During this 6 month reporting period, have you received any thing of value<sup>4</sup> other than money from any foreign principal named in Items 8, 9 and 10 of this statement, or from any other source, for or in the interests of any such foreign principal? Yes  No

If yes, furnish the following information:

<i>Name of foreign principal</i>	<i>Date received</i>	<i>Description of thing of value</i>	<i>Purpose</i>
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<sup>3</sup>A registrant is required to file an Exhibit D if he collects or receives contributions, loans, money, or other things of value for a foreign principal, as part of a fund raising campaign. See Rule 201(e).  
<sup>4</sup>Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

15. (a) **DISBURSEMENTS—MONIES**

During this 6 month reporting period, have you

(1) disbursed or expended monies in connection with activity on behalf of any foreign principal named in Items 8, 9 and 10 of this statement?      Yes       No

(2) transmitted monies to any such foreign principal?      Yes       No

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies, including monies transmitted, if any, to each foreign principal.

<i>Date</i>	<i>To Whom</i>	<i>Purpose</i>	<i>Amount</i>
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See Attachment 3

15. (b) DISBURSEMENTS—THINGS OF VALUE

During this 6 month reporting period, have you disposed of anything of value<sup>5</sup> other than money in furtherance of or in connection with activities on behalf of any foreign principal named in items 8, 9 and 10 of this statement?

Yes  No

If yes, furnish the following information:

<i>Date disposed</i>	<i>Name of person to whom given</i>	<i>On behalf of what foreign principal</i>	<i>Description of thing of value</i>	<i>Purpose</i>
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(c) DISBURSEMENTS—POLITICAL CONTRIBUTIONS

During this 6 month reporting period, have you from your own funds and on your own behalf either directly or through any other person, made any contributions of money or other things of value<sup>5</sup> in connection with an election to any political office, or in connection with any primary election, convention, or caucus held to select candidates for political office?

Yes  No

If yes, furnish the following information:

<i>Date</i>	<i>Amount or thing of value</i>	<i>Name of political organization</i>	<i>Name of candidate</i>
October 1983	\$100.00	Bud Schuster for Congress*	Bud Schuster

\*Contributed by short-form registrant Henry C. Cashen

V--POLITICAL PROPAGANDA

(Section 1(j) of the Act defines "political propaganda" as including any oral, visual, graphic, written, pictorial, or other communication or expression by any person (1) which is reasonably adapted to, or which the person disseminating the same believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, or in any other way influence a recipient or any section of the public within the United States with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party or with reference to the foreign policies of the United States or promote in the United States racial, religious, or social dissensions, or (2) which advocates, advises, instigates, or promotes any racial, social, political, or religious disorder, civil riot, or other conflict involving the use of force or violence in any other American republic or the overthrow of any government or political subdivision of any other American republic by any means involving the use of force or violence.)

16. During this 6 month reporting period, did you prepare, disseminate or cause to be disseminated any political propaganda as defined above? Yes  No

IF YES, RESPOND TO THE REMAINING ITEMS IN THIS SECTION V.

17. Identify each such foreign principal.

<sup>5</sup>Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

18. During this 6 month reporting period, has any foreign principal established a budget or allocated a specified sum of money to finance your activities in preparing or disseminating political propaganda? Yes  No  N/A

If yes, identify each such foreign principal, specify amount, and indicate for what period of time.

19. During this 6 month reporting period, did your activities in preparing, disseminating or causing the dissemination of political propaganda include the use of any of the following: N/A

- Radio or TV broadcasts  Magazine or newspaper articles  Motion picture films  Letters or telegrams
 Advertising campaigns  Press releases  Pamphlets or other publications  Lectures or speeches
 Other (specify)

20. During this 6 month reporting period, did you disseminate or cause to be disseminated political propaganda among any of the following groups: N/A

- Public Officials  Newspapers  Libraries
 Legislators  Editors  Educational institutions
 Government agencies  Civic groups or associations  Nationality groups
 Other (specify)

21. What language was used in this political propaganda:

- English  Other (specify) N/A

22. Did you file with the Registration Section, U.S. Department of Justice, two copies of each item of political propaganda material disseminated or caused to be disseminated during this 6 month reporting period? N/A Yes  No

23. Did you label each item of such political propaganda material with the statement required by Section 4(b) of the Act? Yes  No  N/A

24. Did you file with the Registration Section, U.S. Department of Justice, a Dissemination Report for each item of such political propaganda material as required by Rule 401 under the Act? N/A Yes  No

VI-EXHIBITS AND ATTACHMENTS

25. EXHIBITS A AND B

(a) Have you filed for each of the newly acquired foreign principals in Item 9 the following:

- Exhibit A<sup>6</sup> Yes [X] No 
Exhibit B<sup>7</sup> Yes [X] No

If no, please attach the required exhibit.

(b) Have there been any changes in the Exhibits A and B previously filed for any foreign principal whom you represented during this six month period? Yes  No [X]

If yes, have you filed an amendment to these exhibits? Yes  No

If no, please attach the required amendment.

<sup>6</sup>The Exhibit A, which is filed on Form CRM-157 (Formerly OBD-67) sets forth the information required to be disclosed concerning each foreign principal.
<sup>7</sup>The Exhibit B, which is filed on Form CRM-155 (Formerly OBD-65) sets forth the information concerning the agreement or understanding between the registrant and the foreign principal.

If you have previously filed an Exhibit C<sup>3</sup>, state whether any changes therein have occurred during this 6 month reporting period. Yes  No  N/A

If yes, have you filed an amendment to the Exhibit C? Yes  No

If no, please attach the required amendment.

27. SHORT FORM REGISTRATION STATEMENT

Have short form registration statements been filed by all of the persons named in Items 5 and 7 of the supplemental statement? Yes  No  N/A

If no, list names of persons who have not filed the required statement.

The undersigned swear(s) or affirm(s) that he has (they have) read the information set forth in this registration statement and the attached exhibits and that he is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his (their) knowledge and belief, except that the undersigned make(s) no representation as to the truth or accuracy of the information contained in attached Short Form Registration Statement, if any, insofar as such information is not within his (their) personal knowledge.

(Both copies of this statement shall be signed and sworn to before a notary public or other person authorized to administer oaths by the agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions who are in the United States, if the registrant is an organization.)

(Type or print name under each signature)

*G. Joseph Minetti*  
G. Joseph Minetti\*

\*Pursuant to Power of Attorney dated January 13, 1983.

Subscribed and sworn to before me at Washington, D.C.

this 11th day of January, 19 84

*Milton B. Whitfield*  
(Signature of notary or other officer)  
MILTON B. WHITFIELD

<sup>3</sup>The Exhibit C, for which no printed form is provided, consists of a true copy of the charter, articles of incorporation, association, constitution, and bylaws of the organization. (A waiver of the requirement to file an Exhibit C may be obtained for good cause upon written application to the Assistant Attorney General, Criminal Division, Internal Security Section, U.S. Department of Justice, Washington, D.C. 20530.)

D.C. Notary Public  
My Commission Expires August 31, 1988

ATTACHMENT 1

11. During this 6 month reporting period, have you engaged in any activities for or rendered any services to any foreign principal name in items 8, 9, & 10 of this statement?

X  YES                      \_\_\_\_\_ NO

If yes, identify each such foreign principal and describe in full detail your activities and services:

On behalf of Middle East Airlines, the registrant has continued to represent Middle East Airlines before the Civil Aeronautics Board in connection with certain applications, authorizations, permits and exemptions.

Registrant has also continued to represent Kuwait Airways before the Civil Aeronautics Board in connection with certain permits and exemptions.

On behalf of Italcable USA, Inc., the registrant continued to perform legal services in connection with certain private commercial and financial transactions entered into by the company.

During the reporting period, the registrant rendered advice and counselling to Alitalia concerning the impact on its commercial interests of certain international aviation matters and United States policies and practices related thereto, including the status of bilateral negotiations between the United States and Italian governments on aviation matters. The registrant has also advised Alitalia as to preparations and arrangements for the upcoming visit to the United States of Dr. Umberto Nordio, Chairman of the Board of Alitalia.

ATTACHMENT 2

12. During this 6 month reporting period, have you on behalf of any foreign principal engaged in political activity as defined below?

\_\_\_\_\_ YES                      \_\_\_\_\_ NO      See response below.

If yes, identify each such foreign principal and describe in full detail all such political activity, indicating, among other things, the relations, interests, and policies sought to be influenced and the means employed to achieve this purpose. If the registrant arranged, sponsored or delivered speeches, lectures or radio and TV broadcasts, give details as to dates, places of delivery, names of speakers and subject matter.

Registrant had several conversations with staff personnel of the Department of Transportation for the purpose of obtaining information concerning the timing and status of pending bilateral aviation discussions, which information was conveyed to the registrant's client, Alitalia.

ATTACHMENT 3

15. (a) DISBURSEMENTS-MONIES

During this 6 month reporting period, have you  
 (1) disbursed or expended monies in connection with activity on  
 behalf of any foreign principal named in Items 8, 9 and 10  
 of this statement?  
 Yes X No     

(2) transmitted monies to any such foreign principal? Yes No X

If yes, set forth below in the required detail and separately for  
 each foreign principal an account of such monies, including monies  
 transmitted, if any, to each foreign principal.

ALITALIA

<u>Date</u>	<u>To Whom</u>	<u>Purpose</u>	<u>Amount</u>
Various	Xerox	Duplicating	\$ 28.20
Various	U.S. Postal Service	Postage	3.41
Various	C&P Telephone	Telephone	27.13
Various	Local trans- portation		10.50
10/25/83	John S. Meadows Consultant	Professional Services	4,648.05
Various	Pegasus Courier	Delivery Service	33.20
		Total	<u>\$4,750.49</u>

ITALCABLE, USA

Various	Xerox	Duplicating	\$ 120.45
Various	C&P Telephone	Telephone	119.24
July 1983	U.S. Postal Service	Postage	.20
Various	Telecopier		12.00
July 1983	World Courier and Federal Express	Delivery Service	237.50

ITALCABLE, USA (CON'T.)

<u>Date</u>	<u>To Whom</u>	<u>Purpose</u>	<u>Amount</u>
August 1983	Telex		\$ 37.58
August 1983	Telegram		56.30
Various	Lexis		3.63
Various	Secretarial Overtime		15.00
		Total	<u>\$ 601.90</u>

KUWAIT AIRWAYS

Various	Xerox	Duplicating	\$ 505.24
Various	U.S.Postal Service	Postage	34.12
Various	C&P Telephone	Telephone	14.28
Various	Local Trans- portation		20.50
Various	Pegasus Courier	Delivery Service	4.50
		Total	<u>\$ 578.64</u>

MIDDLE EAST AIR LINES

Various	Xerox	Duplicating	\$ 256.65
Various	U.S.Postal Service	Postage	15.42
Various	Cab Fare and Local Transportation		19.75
Various	C&P Telephone	Telephone	16.78
July & Sept. 1983	Pegasus Courier	Delivery Service	31.50
August 1983	Certificate/Cab		15.00
		Total	<u>\$ 355.10</u>

AIRLINE INDUSTRY:  
THE SHOCK OF REACHING MATURITY

UMBERTO NORDIO  
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER  
ALITALIA AIRLINES

COLUMBIA UNIVERSITY  
CENTER FOR ITALIAN STUDIES  
NEW YORK - NOVEMBER 10, 1983

I wonder if you happen to recall when the Taft-Hartley Act was passed, or when Princess Elizabeth married Philip of Edinburgh, or when India's independence was proclaimed, or when Henry Ford died. It happened all in the same year. The year was 1947, a year you New Yorkers - or should I say, those New Yorkers who are as young as I am - should remember well because it was on December 17, 1947, that you experienced that famous, record breaking, 28-inch blizzard.

Those were the times of the New Look, of the Marshall Plan, of Annie Get Your Gun, of Thor Heyerdahl's crossing from Peru to Polynesia on a raft. Another event also took place in 1947: for the first time in history an aircraft flew at supersonic speeds. It was a U.S. military airplane. Commercial supersonic flights were still a quarter of a century away.

The industry of air transport was then starting to spread its wings. The total number of air passengers flown in 1945, in the whole world, was about 10 million. Today the figure is one billion. Since 1945, while world industrial production increased about five-fold, air transport has grown one hundred-fold.

Throughout the first 20 years after World War II, the pace was phenomenal. Traffic almost doubled every four years or so. While the world gross domestic product moved upwards at an average rate of about 4% per year, the

airline business experienced rates of growth in excess of 15% or even 20% per year. Air Transport was moving well ahead of, and seemingly without relation to, all relevant economic indicators.

A most significant year was 1958. If you turn your historical telescope back to that year, you have, depending on your inclinations, a choice of events on which to focus your attention: the birth of the Common Market in Europe, the election of Pope John XXIII, the launching of Explorer I, the spreading of the Beatnik movement, the opening of the Guggenheim Museum, the advent of cha-cha-cha.

In 1958 I was in the steamship business. I remember that at the end of that ominous year my own attention was concentrated upon the fact that for the first time in history the number of people crossing the Atlantic Ocean by air had exceeded the number of those doing so by sea. The era of the Grand-Sabon was over. The majestic steamers with proud names, which had been contenders for the Blue Ribbon, would soon, one after the other, look for employment in the cruising trade, or as dock-side hotels - or just be sold for scrap.

\* \* \*

Caviar and champagne had become airborne since the very beginning of the air traffic upsurge in the late forties. On B.O.A.C.'s Strato-cruisers

flying from London to New York via Shannon and Garder, impeccable and slightly supercilious stewards, looking like carbon copies of P. J. Wodehouse's Jeeves, would serve pink gin and exquisite canapes before dinner in the lower-deck bar, while your bed - bed, not sleeperette - was being readied upstairs.

The Beautiful People had not been invented yet as an instrument to promote the mass distribution of books on non-caloric calories or sex-flavoured calisthenics. The Beautiful People of that age were less obtrusive, less commercial and above all less numerous. Fittingly, they were at times called the Happy Few, and, as few as they were, they were frequently to be found among the 40 or 50 passengers who then formed an airplane-load. There was glamour in the air. For a while it was the Grand-Saloon all over again.

But by the late fifties even the airborne Grand-Saloon was on its way out. Up to 1952 there had been only one class aloft: First Class. In 1952, Tourist Class was added. In 1958 the airlines introduced the Economy fare and thus, for the first time in history, gained an edge on the steamship lines.

\* \* \*

For decades the sea carriers had been designing their product having essentially in mind on one side the leisure class, the happy few,

or those that had enough time and income to pretend that they belonged there; and on the other side the emigrants, the once-or twice-in-a-lifetime travelers, the not-so-happy many. As late as the early fifties there were in service, on the Atlantic Ocean, liners built between the two wars, which were fitted with suites on the upper deck larger than a Manhattan apartment of today, and on the lower decks had steerage accommodation which slept up to 120 in the same dormitory. Cabin Class, neither fish nor fowl, catering to the market in between, never was a real starter.

Shortly after the steamship lines had shifted to the two-class concept and had begun redesigning their product to meet the changing structure of demand, the airlines took the wind out of their sails. In 1958 the scale tipped: the new Economy air fare undercut the tourist class sea fares. As air fares kept going down in the following years, both in monetary and in real terms, the economics of the shipping industry, plus the crossing time factor, inexorably pushed shipping out of the ocean passenger market.

In the meantime, air service was conquering the short haul as well, and was becoming a popular choice in the domestic and continental transport systems of the industrialized countries. In the forties, air travelers were a small minority in the United States. In 1960 one American out of

three was an airline customer. The figure today is two out of three.

While directing their attention to the middle-income, and later to the low-middle-income layers of the market, the airlines progressively moved away from the Grand-Saloon model. As of 1958, Bertie Wooster had lost his high profile in the minds of airline marketing experts. The stage was almost ready for the noisy entrance of Sir Freddie Laker and his Band.

\* \* \*

History has its own capricious way, once in a while, of casting mediocrities into epic roles. Thus a marginal but ambitious operator like Freddie Laker, endowed with a flair for publicity stunts rather than with the virtues traditionally associated with the archetype of the sound entrepreneur, in the seventies came to be regarded by quite a few as an inventive pioneer in the field of low-cost air transport.

The "Skytrain" concept was in reality a belated, and eventually unsuccessful, variation on the theme of the point-to-point, high-load-factor, low-cost service which was introduced in the North Atlantic ten years ahead of Freddie Laker, when the U.S. charter operators were authorised to carry transatlantic passengers.

\* \* \*

Following the advent of the jets, in the early sixties both yields and load-factors of the scheduled airlines in the North Atlantic had taken a dip. There was too much capacity offered in the trade, and at the same time the demand for low cost air transportation was increasing. It was quite natural that some of the available capacity should be diverted to charter flights, either by independent operators or by the scheduled airlines themselves.

The same thing was happening in other areas, and especially in Europe, where charter traffic was growing so rapidly that it was eventually to gain a share of the infra-European trade very close to that of the scheduled airlines. In 1973 almost one third of ICAO world traffic was moving by charter planes, at rates considerably lower than the scheduled airlines'.

The problem of over-capacity was made worse when the wide-bodies entered service in the late sixties. Indeed from 1966 to 1973 the number of seats offered increased at a greater rate than traffic. Airline managements had embarked upon a major and premature re-equipment cycle. Airline marketing experts continued to worship at the anachronistic temple of market share and unlimited market growth. Underpriced fares were introduced, to fill - for what was thought to be the short term - the excess capacity generated by the wide-bodies. Public and political pressures had started building up in favour of

low fare mass travel on scheduled services at uneconomic prices. The stage was thus set for a vicious circle leading to the need for more capacity to be filled at non-remunerative fares.

All this was happening in a changing environment. Following World War II the economies of the industrial nations had experienced a long, unprecedented period of extraordinary, uninterrupted growth. By the late sixties the conditions of political, monetary, social stability which sustained this growth began to disappear. With the Yom Kippur War of 1973 the era of cheap energy also came to an end.

\* \* \*

The oil crisis of 1973-74 dealt the air transport industry a double-barreled blow. The ballooning cost of fuel generated a monstrous gap between costs and revenues which ought to have been covered, but was not, by consistent yield improvements, that is, increases in revenue per seat. On the other hand, the market had almost stopped growing or indeed was shrinking - like it did in the North Atlantic area - as a consequence of the shaky state of the economies of the industrial nations; and in such a market, affected also by pre-existent excess of supply over demand, yield improvements, which means of course higher fares, were very difficult to obtain.

The cataclysmic effects of the first fuel crisis obscured, and swept under the carpet, the fact that the air transport industry was already in trouble before the crisis, and that it was in trouble because of some of its own errors and miscalculations.

The recovery occurred in 1976, and lasted through 1979. Then once again an oil crisis sent the world economy into recession. During the recovery, many airlines just went back to the old delusion that there was no limit to market expansion, that the industry would eventually revert to the traffic growth rates that had characterized the fifties and the sixties. And they planned their fleets accordingly.

Reality provided a different message. From 1975 to 1979, traffic growth, although rebounding from the standstill of the first oil crisis, never reached the levels of the golden age. With the second oil crisis, world air traffic growth again came almost to a stop. Indeed, for the first time in history, in 1980 and 1981 air traffic growth was slower than the world G.N.P.'s.

\* \* \*

The industry has reached maturity. This is the hard fact of life. We have gone through the Gompertz curve stages of introduction, transition and rapid growth. We have conquered our share of the consumer's disposable

income. We have placed our product on the list of options for business travelers. From now on, we shall move along with the major indicators of the economies of the countries where we operate. We shall no longer lead by 20 or 10 points the G.N.P. of the industrial nations.

Let me be more specific with one example. In our trade, when we talk about disposable income, we talk about pleasure traffic, which is by far the largest segment of our market.

It is quite true that air fares, in general, have gone up slower than inflation. The curve of the consumer price index in industrial countries has risen well above the curve of the average Economy fare. However, the air fare is but one component of the total cost of a pleasure trip, the other two main components being restaurant and hotel expenses. The costs of these two items have increased much faster than air travel costs. The result is that the cost of the package, air ticket plus food plus accommodations, has gone up along with the general consumer price index.

During the fifties and most of the sixties there was a wide gap between the trend of disposable income and the trend of pleasure trip costs. This gap was the main propellant of the dynamic growth of pleasure travel during those two decades. This gap narrowed down at the end of the sixties and, in the case of the U.S. traveler, became negative in the early seventies. Since then, the trends in income and pleasure trip costs are running

parallel. Which means that our industry has reached maturity.

\* \* \*

In the United States, as of 1978, a further element interacted with the general economic downturn to plunge the airline industry into a deeper turmoil. Air transport deregulation was set in motion, first in the domestic and subsequently in the international field.

There are conflicting views as to the results of domestic air transport deregulation. Some evidence can be presented in either praise or condemnation; and this may be one of those cases where it remains a matter for individual judgment to decide whether the bottle must be considered half empty or half full. I for one am inclined to take the optimistic view, while admitting, however, that better timing and less abrupt approach might have softened some of the negative effects of domestic deregulation, while still preserving the positive ones.

On the other hand, international air transport deregulation was an unmitigated blunder. It stemmed from the unrealistic premise that the deregulation experience in the U.S. market, which is a free market, could automatically be translated into the international air transport market, which is not a free market and is not likely to become one in the foreseeable future. It proceeded through a number of grossly mistaken

assumptions as to the reactions of foreign governments, and of airline management, both in the U.S. and abroad. As a grand design, it eventually aborted, but not without leaving some permanent scars.

The presence in the international market of many national operators, the existence of which is in many cases justified - and if need be financially guaranteed - by their respective governments, makes it impossible for free market forces to interplay in the orthodox fashion.

Excess of supply over demand will not by itself cause carriers to restrain the offer of services. The competitive squeeze will not chase all noneconomic operators out of the market. The government-backed operator will be kept alive by subsidies.

\* \* \*

The international airline president who, for one reason or another - because his network is vast or because it is streamlined; because his operation enjoys economies of scale or because it is small and neat; because of his lower labour costs or his higher efficiency; because he

receives subsidies or because of his favourable geographical position - whatever the reason, if he thinks that because of that reason he has a conclusive edge on his competitors and can use it indefinitely to enlarge his market share at their expense, he'd better think twice. Let him remember that not all of his competitors depend on profit. Let him remember that, in our trade, when you undercut another fellow, there will always be a third fellow who undercuts you both. Let him remember that market shares can also be defended by means other than rate wars. Protracted attacks on the market share of a national airline will in the long run generate a revival of protectionism. We all publicly agree that protectionism is a bad thing; we all deep down know that it is a bad thing. But all of us will yield to protectionism when it appears to be the only practical alternative to fend off unbearable competitive pressure.

In our complex and multi-faceted international environment, intelligent self-restraint is required for the very purpose of keeping competition alive. This restraint will in the long run bring home more profit than all-out drives designed to plunder someone else's share of the market. Let all international airline presidents think twice before they adopt such boomerangs as suitable instruments in their battles for better load factors.

\* \* \*

Given his record of performance in his forays outside the academic world, first as head of the C.A.B. and then as chief inflation fighter of the Carter Administration, I feel rather worried when I find myself in agreement with a pronouncement by my respected friend, Professor Alfred Kahn.

However, when he says - as he stated in a recent interview - that he could not expect that airline presidents would behave like a bunch of incompetent oligopolists, I must admit to a certain sympathy for his feelings. By and large, in the last few years, the industry did not provide many shining examples of business foresight and cool entrepreneurial judgment.

We failed to perceive that the years of explosive growth were over, that they would not automatically return after the first oil crisis. We had bought too many big planes too soon in the late sixties, and many of us continued to add excessive capacity to our fleets during the short recovery of the late seventies. Today the sickness of overcapacity is still with us and we still seem unable to cope intelligently with the problem. Blind to the abundant evidence of recent case-histories, some of us have developed a Pavlovian reaction whereby empty seats automatically command discounts, irrespective of any sane consideration for profit.

The rest of us have little choice but to match an unprofitable fare with another unprofitable fare. The perverse spiral goes on, and so does the count of dead bodies left behind us in our seemingly endless trek - towards

what end? The return to sanity, or subsidies for all?

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Of course, we also scored a few good marks on the right side of the ledger. Through the machinery of IATA we offered the public the access to a world wide network of air services, with tickets that can be bought almost anywhere in the free world, and can be exchanged for other destinations or other airlines or partially or totally refunded. Also through IATA, we helped and are helping the developing nations to build their own air transport companies and infrastructures. Our safety record is impressive. We steadily increased our productivity. Over the years, we kept passing the benefits of new technology on to the consumer.

New technology will provide us with better, more comfortable and more efficient aircraft, and those improvements will result from our cooperation with the aircraft manufacturing industry. New technology, however, is becoming more and more expensive. When we bought the latest B-747's, we paid a per-seat cost which was, in constant dollars, about 50% higher than the cost per-seat of a DC-6 in 1950. New generation airplanes, scheduled to appear in the late eighties or early nineties, will be even more expensive.

To choose the right kind of airplane at the right time will be more important from now on than it was in the past. There will be more room for error, and the consequences of error will no longer be diluted into the mainstream of robust, adolescent industrial growth.

And along our path in the future years, a potential danger will always be lurking on the horizon. More mistakes by too many of us, in combination with more rash, ill conceived actions on the part of governments, may eventually bring air transport into the area of state-assisted welfare services, which would mean the end of the air industry as a free enterprise. Should this happen, there would be little glory for those who acted as catalysts for such an undesirable event while flying the colours of the free market.

\* \* \*

I am afraid - please be polite and do not let me hear your sigh of relief - that it is extremely unlikely that I may be back here in the year 2000 to address you on matters pertaining to the subject of air transport industry. But if someone else will, which airlines will your speaker be talking about? Which, I do not know, but my guess is that there will be fewer of them.

And what kind of airplanes will they operate? More supersonic aircraft on the long haul, I would say, and back to the old propeller, with a few more

blades, for the very short haul. And what kind of fuel will they burn? Well, kerosene. But it will be so darn expensive that there will be talk, maybe more than just talk, of alternate fuels for the next generation of airplanes. Liquid hydrogen seems a likely bet, atomic power does not. And someone, in the year 2000, will make himself unpopular with the pilot union while talking about pilotless aircraft.

And should your speaker of the year 2000 recall with you the prominent feature in the civil aviation field of 1984, I do hope he will say that 1984 was the year when the air transport industry took stock of the fact that it had reached maturity - and started behaving likewise.

UNITED STATES DEPARTMENT OF JUSTICE  
REGISTRATION UNIT  
CRIMINAL DIVISION  
WASHINGTON, D. C. 20530

NOTICE

Please answer the following questions and return this sheet in triplicate with your supplemental statement:

1. Is your answer to Item 16 of Section V (Political Propaganda - page 7 of Form OBD-64 - Supplemental Statement):

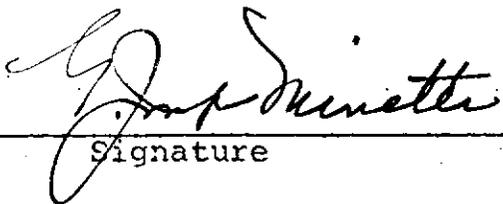
Yes \_\_\_\_\_ or No  X

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January 11, 1984  
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