



AIRPORT DEVELOPMENT ACCELERATION ACT OF 1973

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
TRANSPORTATION AND AERONAUTICS.

United States
Congress, House
OF THE
COMMITTEE ON

INTERSTATE AND FOREIGN COMMERCE.

HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

FIRST SESSION

ON

H.R. 4082, H.R. 2695, H.R. 4213, H.R. 4214,
H.R. 4182, and S. 38
(and all similar bills)

BILLS TO AMEND THE AIRPORT AND AIRWAY DEVELOPMENT
ACT OF 1970 TO INCREASE THE UNITED STATES SHARE OF
ALLOWABLE PROJECT COSTS UNDER SUCH ACT; TO AMEND
THE FEDERAL AVIATION ACT OF 1958 TO PROHIBIT CERTAIN
STATE TAXATION OF PERSONS IN AIR COMMERCE; AND FOR
OTHER PURPOSES

MARCH 14, 15, 20, 22, AND 27, 1973

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Committee on Interstate and Foreign Commerce



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ORGANIZATIONS REPRESENTED AT HEARINGS

- Air Transport Association of America:
 - Seybold, Leo, vice president, Federal Affairs.
 - Tipton, Stuart G., chairman.
- Airport Operators Council International (AOCI), J. Donald Reilly, executive vice president.
- Allentown-Bethlehem-Easton Airport [Pa.], Wilfred M. Post, Jr., manager.
- American Association of Airport Executives:
 - Fallon, Arthur J., president-elect.
 - Hoyt, F. Russell, executive vice president.
- Civil Aeronautics Board:
 - Johnson, R. Tenney, General Counsel.
 - Timm, Hon. Robert D., Chairman.
- General Aviation Manufacturers Association, Edward W. Stimpson, president.
- Huntsville-Madison County [Ala.] Airport Authority, J. E. Mitchell, Jr., executive director.
- National Air Carrier Association, Edward J. Driscoll, president.
- National Association of State Aviation Officials:
 - Clark, Lowell, chairman, Oklahoma Aeronautics Commission.
 - Nammack, John A., executive vice president.
- National Passenger Traffic Association, Inc.:
 - Caldwell, John, associate counsel.
 - Halenza, Eileen, president.
- Ohio, State of:
 - Koetz, Theodore, deputy tax commissioner.
 - Swepton, Donald, counsel, tax commission.
- Philadelphia, Pa., city of:
 - Bellinger, Harry, director of commerce.
 - Moak, Lennox, director of finance.
- Raleigh-Durham Airport Authority, Henry E. Boyd, Jr., airport manager.
- Southeastern Airport Managers Association, Henry E. Boyd, Jr., chairman, Legislative Liaison Committee.
- Transportation Department:
 - Barnum, John W., General Counsel.
 - Krogh, Hon. Egil, Jr., Under Secretary.
 - Pace, Clyde, Director, Airports Service, Federal Aviation Administration.
- U.S. Virgin Islands Port Authority, Jack M. Monsanto, executive director.

AIRPORT DEVELOPMENT ACCELERATION ACT OF 1973

WEDNESDAY, MARCH 14, 1973

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met, pursuant to notice at 10 a.m., in Room 2322 Rayburn House Office Building, Hon. John Jarman (chairman) presiding.

Mr. JARMAN. The subcommittee will please be in order.

The bills before us in the hearing which we are commencing this morning deal with the levying and collecting of service charges on enplaning passengers. Following a Supreme Court decision in *Evansville-Vanderburgh Airport v. Delta Airlines* upholding such charges, a number of local jurisdictions have taken steps to collect similar charges. We have the question as to whether there should be a Federal preemption in this area and whether local charges should be prohibited.

In addition, we have the question of whether under the Airport and Airway Development Act of 1970 there should be an increase in the Federal sharing of airport project costs. We completed hearings on this subject in the last Congress. Indeed, both Houses of Congress agreed on legislation but the version which went to the White House was vetoed by the President. So we are back to where we started with the exception that a number of additional local jurisdictions have instituted user charges since last year.

As usual we have a large number of witnesses who wish to be heard. Therefore, our committee policy is that direct testimony be delivered in summary form and limited to no more than 10 minutes. The committee will be quite liberal in allowing the witnesses to furnish fully detailed statements for incorporation in the record.

This procedure will leave time for the questions and answers that are important to the hearing. We need everyone's cooperation on this if we are to proceed with the hearing and conclude it expeditiously.

We want everyone who wants to be heard to have that opportunity and we also want to have time for questions from the members of the subcommittee. So, your cooperation in limiting the direct statements and answers to questions will be appreciated.

[The text of H.R. 4082, H.R. 2695, H.R. 4213, H.R. 4214, H.R. 4182, H.R. 627, H.R. 1784, H.R. 6057, and S 38, and departmental reports thereon follow:]

[H.R. 4082, 93d Congress, 1st session, introduced by Mr. Staggers on February 7, 1973, and
H.R. 4214, 93d Congress, 1st session, introduced by Mr. Dingell on February 8, 1973,
are identical as follows:]

A BILL

To amend the Airport and Airway Development Act of 1970 to increase the United States share of allowable project costs under such Act; to amend the Federal Aviation Act of 1958 to prohibit certain State taxation of persons in air commerce; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Airport Development
4 Acceleration Act of 1973".

5 SEC. 2. Section 11 (2) of the Airport and Airway De-
6 velopment Act of 1970 (49 U.S.C. 1711) is amended by
7 inserting immediately after "Federal Aviation Act of 1958,"
8 the following: "and security equipment required of the spon-

1 sor by the Secretary by rule or regulation for the safety and
2 security of persons and property on the airport.”

3 SEC. 3. (a) Section 14 (a) of the Airport and Airway
4 Development Act of 1970 (49 U.S.C. 1714 (a)) is
5 amended—

6 (1) by striking out “1975” in paragraph (1) and
7 inserting in lieu thereof “1973, and \$312,500,000 for
8 each of the fiscal years 1974 and 1975”; and

9 (2) by striking out “1975” in paragraph (2) and
10 inserting in lieu thereof “1973, and \$37,500,000 for
11 each of the fiscal years 1974 and 1975”.

12 (b) Section 14 (b) of that Act (49 U.S.C. 1714 (b)) is
13 amended—

14 (1) by striking out “\$840,000,000” in the first
15 sentence thereof and inserting in lieu thereof
16 “\$1,540,000,000”; and

17 (2) by striking out “and” in the last sentence
18 thereof and inserting immediately before the period “, an
19 aggregate amount exceeding \$1,190,000,000 prior to
20 June 30, 1974, and an aggregate amount exceeding
21 \$1,540,000,000 prior to June 30, 1975”.

22 SEC. 4. Section 16 (c) (1) of the Airport and Airway
23 Development Act of 1970 (49 U.S.C. 1716 (c)) is amended
24 by inserting in the last sentence thereof “or the United
25 States or an agency thereof” after “public agency”.

1 SEC. 5. Section 17 of the Airport and Airway Develop-
2 ment Act of 1970 (49 U.S.C. 1717) relating to United
3 States share of project costs, is amended—

4 (1) by striking out subsection (a) of such section
5 and inserting in lieu thereof the following:

6 “(a) GENERAL PROVISION.—Except as otherwise pro-
7 vided in this section, the United States share of allowable
8 project costs payable on account of any approved airport
9 development project submitted under section 16 of this part
10 may not exceed—

11 “(1) 50 per centum for sponsors whose airports
12 enplane not less than 1.00 per centum of the total
13 annual passengers enplaned by air carriers certified
14 by the Civil Aeronautics Board; and

15 “(2) 75 per centum for sponsors whose airports
16 enplane less than 1.00 per centum of the total annual
17 number of passengers enplaned by air carriers certifi-
18 cated by the Civil Aeronautics Board.”; and

19 (2) by adding at the end thereof the following
20 new subsection:

21 “(e) SAFETY CERTIFICATION AND SECURITY EQUIP-
22 MENT.—

23 “(1) To the extent that the project cost of an
24 approved project for airport development represents the
25 cost of safety equipment required by rule or regulation

1 for certification of an airport under section 612 of the
2 Federal Aviation Act of 1958 the United States share
3 may not exceed 82 per centum of the allowable cost
4 thereof with respect to airport development project
5 grant agreements entered into after May 10, 1971.

6 “(2) To the extent that the project cost of an
7 approved project for airport development represents the
8 cost of security equipment required by the Secretary by
9 rule or regulation, the United States share may not ex-
10 ceed 82 per centum of the allowable cost thereof with
11 respect to airport development project grant agreements
12 entered into after September 28, 1971.”

13 SEC. 6. The first sentence of section 12 (a) of the Air-
14 port and Airway Development Act of 1970 (49 U.S.C.
15 1712 (a)) is amended by striking out “two years” and insert-
16 ing in lieu thereof “three years”.

17 SEC. 7. (a) Title XI of the Federal Aviation Act of 1958
18 is amended by adding at the end thereof the following new
19 section:

20 “STATE TAXATION OF AIR COMMERCE

21 “SEC. 1113. (a) No State (or political subdivision
22 thereof, including the Commonwealth of Puerto Rico, the
23 Virgin Islands, Guam, the District of Columbia, the terri-
24 tories or possessions of the United States or political agencies
25 of two or more States) shall levy or collect a tax, fee, head

1 charge, or other charge, directly or indirectly, on persons
2 traveling in air commerce or on the carriage of persons
3 traveling in air commerce or on the sale of air transportation
4 or on the gross receipts derived therefrom; except that any
5 State (or political subdivision thereof, including the Com-
6 monwealth of Puerto Rico, the Virgin Islands, Guam, the
7 District of Columbia, the territories or possessions of the
8 United States or political agencies of two or more States)
9 which levied and collected a tax, fee, head charge, or other
10 charge, directly or indirectly, on persons traveling in air
11 commerce or on the carriage of persons traveling in air com-
12 merce or on the sale of air transportation or on the gross
13 receipts derived therefrom prior to May 21, 1970, shall be
14 exempt from the provisions of this subsection until July 1,
15 1974.

16 “(b) Nothing in this section shall prohibit a State
17 (or political subdivision thereof, including the Common-
18 wealth of Puerto Rico, the Virgin Islands, Guam, the Dis-
19 trict of Columbia, the territories or possessions of the United
20 States or political agencies of two or more States) from
21 the levy or collection of taxes other than those enumerated
22 in subsection (a) of this section, including property taxes,
23 net income taxes, franchise taxes, and sales or use taxes on
24 the sale of goods or services; and nothing in this section
25 shall prohibit a State (or political subdivision thereof, in-

1 eluding the Commonwealth of Puerto Rico, the Virgin
2 Islands, Guam, the District of Columbia, the territories or
3 possessions of the United States or political agencies of two
4 or more States) owning or operating an airport from levy-
5 ing or collecting reasonable rental charges, landing fees,
6 and other service charges from aircraft operators for the
7 use of airport facilities.

8 “(e) In the case of any airport operating authority
9 which—

10 “(1) has an outstanding obligation to repay a loan
11 or loans of amounts borrowed and expended for airport
12 improvements;

13 “(2) is collecting, without air carrier assistance, a
14 head tax on passengers in air transportation for the use
15 of its facilities; and

16 “(3) has no authority to collect any other type
17 of tax to repay such loan or loans,

18 the provisions of subsection (a) shall not apply to such
19 authority until July 1, 1974.”

20 (b) That portion of the table of contents containe ' in
21 the first section of such Act which appears under the center
22 heading

“TITLE XI—MISCELLANEOUS”

23 is amended by adding at the end thereof the following:

“Sec. 1113. State taxation of air commerce.”

93^d CONGRESS
1ST SESSION

H. R. 2695

IN THE HOUSE OF REPRESENTATIVES

JANUARY 23, 1973

Mr. JARMAN introduced the following bill; which was introduced to the Committee on Interstate and Foreign Commerce

A BILL

To amend the Airport and Airway Development Act of 1970 to increase the United States share of allowable project costs under such Act; to amend the Federal Aviation Act of 1958 to prohibit certain State taxation of persons in air transportation, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Airport Development
4 Acceleration Act of 1973".

5 SEC. 2. Section 11 (2) of the Airport and Airway De-
6 velopment Act of 1970 (49 U.S.C. 1711) is amended by
7 inserting immediately after "Federal Aviation Act of 1958,"
8 the following: "and security equipment required of the spon-

1 sor by the Secretary by rule or regulation for the safety and
2 security of persons and property on the airport.”.

3 SEC. 3. (a) Section 14 (b) of the Airport and Airway
4 Development Act of 1970 (49 U.S.C. 1714 (a)) is
5 amended—

6 (1) by striking out “\$840,000,000” in the first
7 sentence thereof and inserting in lieu thereof “\$1,400,-
8 000,000”; and

9 (2) by striking out “and” in the last sentence
10 thereof and inserting immediately before the period “, an
11 aggregate amount exceeding \$1,120,000,000 prior to
12 June 30, 1974, and an aggregate amount exceeding
13 \$1,400,000,000 prior to June 30, 1975”.

14 SEC. 4. Section 16 (c) (1) of the Airport and Airway
15 Development Act of 1970 (49 U.S.C. 1716 (c)) is amended
16 by inserting in the last sentence thereof “or the United
17 States or any agency thereof” after “public agency”.

18 SEC. 5. Section 17 of the Airport and Airway Develop-
19 ment Act of 1970 (40 U.S.C. 1717) relating to United
20 States share of project costs, is amended—

21 (1) by striking out subsection (a) of such section
22 and inserting in lieu thereof the following:

23 “(a) GENERAL PROVISION.—Except as otherwise pro-
24 vided in this section, the United States share of allowable
25 project costs payable on account of any approved airport

1 development project submitted under section 16 of this part
2 shall be—

3 “(1) 50 per centum for sponsors whose airports
4 enplane not less than 1 per centum of the total annual
5 passengers enplaned by air carriers certificated by the
6 Civil Aeronautics Board; and

7 “(2) 75 per centum for sponsors whose airports
8 enplane less than 1 per centum of the total annual num-
9 ber of passengers enplaned by air carriers certificated
10 by the Civil Aeronautics Board.”; and

11 (2) by adding at the end thereof the following new
12 subsection:

13 “(c) SAFETY CERTIFICATION AND SECURITY EQUIP-
14 MENT.—

15 “(1) To the extent that the project cost of an approved
16 project for airport development represents the cost of safety
17 equipment required by rule or regulation for certification of
18 an airport under section 612 of the Federal Aviation Act of
19 1958 the United States share shall be 82 per centum of the
20 allowable cost thereof with respect to airport development
21 project grant agreements entered into after May 10, 1971.

22 “(2) To the extent that the project cost of an approved
23 project for airport development represents the cost of security
24 equipment required by the Secretary by rule or regulation,
25 the United States share shall be 82 per centum of the allow-

1 able cost thereof with respect to airport development project
2 grant agreements entered into after September 28, 1971.”.

3 SEC. 6. The first sentence of section 12 (a) of the Air-
4 port and Airway Development Act of 1970 (49 U.S.C.
5 1712 (a)) is amended by striking out “two years” and in-
6 serting in lieu thereof “three years”.

7 SEC. 7. (a) Title XI of the Federal Aviation Act of
8 1958 is amended by adding at the end thereof the following
9 new section:

10 “STATE TAXATION OF AIR COMMERCE

11 “SEC. 1113. (a) No State (or political subdivision
12 thereof, including the Commonwealth of Puerto Rico, the
13 Virgin Islands, Guam, the District of Columbia, the terri-
14 tories or possessions of the United States or political agencies
15 of two or more States) shall levy or collect a tax, fee, head
16 charge, or other charge, directly or indirectly, on persons
17 traveling in air commerce or on the carriage of persons
18 traveling in air commerce or on the sale of air transportation
19 or on the gross receipts derived therefrom.

20 “(b) Nothing herein shall prohibit a State (or political
21 subdivision thereof, including the Commonwealth of Puerto
22 Rico, the Virgin Islands, Guam, the District of Columbia,
23 the territories or possessions of the United States or political
24 agencies of two or more States) from the levy or collection
25 of taxes other than those enumerated in subsection (a) of

1 this section, including property taxes, net income taxes,
2 franchise taxes, and sales or use taxes on the sale of goods
3 or services; and nothing herein shall prohibit a State (or
4 political subdivision thereof, including the Commonwealth
5 of Puerto Rico, the Virgin Islands, Guam, the District of
6 Columbia, the territories or possessions of the United States
7 or political agencies of two or more States) owning or oper-
8 ating an airport from levying or collecting reasonable rental
9 charges, landing fees, and other service charges from aircraft
10 operators for the use of airport facilities.

93^D CONGRESS
1ST SESSION

H. R. 4213

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 8, 1973

Mr. DINGELL introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

A BILL

To provide for a moratorium on State taxation of the carriage of persons in air transportation, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That, during the eighteen-month period beginning on the
4 date of enactment of this Act, no State (or any political sub-
5 division thereof) shall levy or collect any tax, fee, or other
6 charge, directly or indirectly, on persons traveling in inter-
7 state, overseas, or foreign air transportation or on the
8 carriage of persons in interstate, overseas, or foreign air
9 transportation.

10 SEC. 2. (a) The Civil Aeronautics Board shall conduct
11 a full and complete investigation of taxes, fees, and other

1 charges levied and collected by States and their political
2 subdivisions, directly or indirectly, on persons traveling in
3 interstate, overseas, or foreign air transportation or on the
4 carriage of persons in interstate, overseas, or foreign air
5 transportation in order to determine the effect of such taxes,
6 fees, or other charges on air transportation in the United
7 States. Not later than twelve months after the date of enact-
8 ment of this Act, the Board shall report to the President and
9 to the Congress the results of such investigation, together
10 with such recommendations as it may deem appropriate.

11 (b) The Civil Aeronautics Board may secure directly
12 from any department or agency of the United States infor-
13 mation necessary to enable it to carry out this section. Upon
14 request of the Board, the head of such department or agency
15 shall furnish the information so requested.

16 (c) In the conduct of the investigation required by
17 this section, the Civil Aeronautics Board may hold hearings,
18 issue subpoenas, administer oaths, examine witnesses, and
19 receive evidence in the same manner as provided by section
20 1004 of the Federal Aviation Act of 1958 (49 U.S.C.
21 1484).

22 SEC. 3. As used in this Act—

23 (1) the term "State" means a State of the United
24 States, the Commonwealth of Puerto Rico, the District
25 of Columbia, the Virgin Islands, and Guam; and

1 (2) the terms "interstate air transportation", "over-
2 seas air transportation", and "foreign air transportation"
3 shall have the same meaning given such terms by section
4 101 (21) of the Federal Aviation Act of 1958 (49
5 U.S.C. 1301 (21)).

6 SEC. 4. There are authorized to be appropriated such
7 sums, not to exceed \$100,000, as may be necessary to enable
8 the Civil Aeronautics Board to carry out the provisions of
9 section 2 of this Act.

10 SEC. 5. The first sentence of section 12 (a) of the Air-
11 port and Airway Development Act of 1970 (49 U.S.C.
12 1712 (a)) is amended by striking out "two years" and
13 inserting in lieu thereof "three years".

93^d CONGRESS
1st Session

H. R. 4182

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 8, 1973

Mr. ADAMS introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

A BILL

To amend the Airport and Airway Development Act of 1970 to increase the United States share of allowable project costs under such Act; to amend the Federal Aviation Act of 1958 to prohibit certain State taxation of persons in air commerce; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Airport and Airway Im-
4 provement Act of 1973".

5 SEC. 2. Section 11 (2) of the Airport and Airway Devel-
6 opment Act of 1970 (49 U.S.C. 1711) is amended by in-
7 serting immediately after "Federal Aviation Act of 1958,"
8 the following: "and security equipment required of the spon-

1 sor by the Secretary by rule or regulation for the safety and
2 security of persons and property on the airport.”.

3 SEC. 3. (a) Section 14 (b) of the Airport and Airway
4 Development Act of 1970 (49 U.S.C. 1714 (b)) is
5 amended—

6 (1) by striking out “\$840,000,000” in the first
7 sentence thereof and inserting in lieu thereof “\$1,400,-
8 000,000”;

9 (2) by striking out “extend beyond” in the second
10 sentence thereof and inserting in lieu thereof “be in-
11 curred after”; and

12 (3) by striking out “and” in the last sentence
13 thereof and inserting immediately before the period
14 “, an aggregate amount exceeding \$1,120,000,000 prior
15 to June 30, 1974, and an aggregate amount exceeding
16 \$1,400,000,000 prior to June 30, 1975”.

17 SEC. 4. Section 16 (c) (1) of the Airport and Airway
18 Development Act of 1970 (49 U.S.C. 1716 (c)) is amended
19 by inserting in the last sentence thereof “or the United
20 States or an agency thereof” after “public agency”.

21 SEC. 5. Section 17 of the Airport and Airway Develop-
22 ment Act of 1970 (49 U.S.C. 1717) relating to United
23 States share of project costs, is amended—

24 (1) by striking out subsection (a) of such section
25 and inserting in lieu thereof the following:

1 “(a) GENERAL PROVISION.—Except as otherwise pro-
2 vided in this section, the United States share of allowable
3 project costs payable on account of any approved airport
4 development project submitted under section 16 of this part
5 may not exceed 75 per centum of the allowable project
6 costs.”; and

7 (2) by adding at the end thereof the following new
8 subsection:

9 “(e) SECURITY EQUIPMENT.—To the extent that the
10 project cost of an approved project for airport development
11 represents the cost of security equipment required by the
12 Secretary by rule or regulation, the United States share may
13 not exceed 100 per centum of the allowable cost thereof with
14 respect to airport development project grant agreements
15 entered into after September 28, 1971.”.

16 SEC. 6. The first sentence of section 12 (a) of the Air-
17 port and Airway Development Act of 1970 (49 U.S.C.
18 1712 (a)) is amended by striking out “two years” and in-
19 serting in lieu thereof “three years”.

20 SEC. 7. (a) Title XI of the Federal Aviation Act of
21 1958 is amended by adding at the end thereof the follow-
22 ing new section:

23 “STATE TAXATION OF AIR COMMERCE

24 “SEC. 1113. (a) No State (or political subdivision
25 thereof, including the Commonwealth of Puerto Rico, the

1 Virgin Islands, Guam, the District of Columbia, the terri-
2 tories or possessions of the United States or political agencies
3 of two or more States) shall levy or collect a tax, fee, head
4 charge, or other charge, directly or indirectly, on persons
5 traveling in air commerce or on the carriage of persons travel-
6 ing in air commerce or on the sale of air transportation or on
7 the gross receipts derived therefrom.

8 “(b) Nothing in this section shall prohibit a State (or
9 political subdivision thereof, including the Commonwealth
10 of Puerto Rico, the Virgin Islands, Guam, the District of
11 Columbia, the territories or possessions of the United States
12 or political agencies of two or more States) from the levy or
13 collection of taxes other than those enumerated in subsection
14 (a) of this section, including property taxes, net income
15 taxes, franchise taxes, and sales or use taxes on the sale of
16 goods or services; and nothing in this section shall prohibit
17 a State (or political subdivision thereof, including the Com-
18 monwealth of Puerto Rico, the Virgin Islands, Guam, the
19 District of Columbia, the territories or possessions of the
20 United States or political agencies of two or more States)
21 owning or operating an airport from levying or collecting
22 reasonable rental charges, landing fees, and other service
23 charges from aircraft operators for the use of airport
24 facilities.”.

25 (b) That portion of the table of contents contained in

- 1 the first section of such Act which appears under the center
- 2 heading

"TITLE XI--MISCELLANEOUS"

- 3 is amended by adding at the end thereof the following:

"Sec. 1113. State taxation of air commerce."

93^d CONGRESS
1st SESSION

H. R. 627

IN THE HOUSE OF REPRESENTATIVES

JANUARY 3, 1973

Mr. HECHLER of West Virginia introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

A BILL

To amend the Airport and Airway Development Act of 1970 to increase the United States share of allowable project costs under such Act; to amend the Federal Aviation Act of 1958 to prohibit certain State taxation of persons in air transportation; to provide for the establishment of a Federal air transportation security force; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Airport Development
4 Acceleration Act of 1973".

5 SEC. 2. Section 11 (2) of the Airport and Airway De-
6 velopment Act of 1970 (49 U.S.C. 1711), is amended to
7 read as follows:

1 “(2) ‘Airport development’ means (A) any work
2 involved in constructing, improving, or repairing a public
3 airport or portion thereof, including the construction, altera-
4 tion, repair, or acquisition of airport passenger terminal
5 buildings or facilities and other airport administrative build-
6 ings, and (B) the removal, lowering, relocation, marking,
7 and lighting of airport hazards, and (C) the acquisition,
8 removal, improvement, or repair of navigation aids used by
9 aircraft landing at, or taking off from, a public airport, and
10 (D) the acquisition, improvement, or repair of safety equip-
11 ment required by rule or regulation for certification of the
12 airport under section 612 of the Federal Aviation Act of
13 1958, and security equipment required of the sponsor by
14 rule or regulation of the Federal Aviation Administration
15 for the safety and security of persons and property on the
16 airport, and (E) any acquisition of land or of any interest
17 therein or of any easement through or other interest in
18 airspace, including land for future airport development
19 which is necessary to permit any such work or to remove
20 or mitigate or prevent or limit the establishment of airport
21 hazards.”

22 SEC. 3. (a) Section 14 (a) of the Airport and Airway
23 Development Act of 1970 as amended (49 U.S.C. 1714
24 (a)), is further amended—

25 (1) by striking out “1975” in paragraph (1) and

1 inserting in lieu thereof "1973, and \$375,000,000 for
2 each of the fiscal years 1974 and 1975";

3 (2) by striking out "1975" in paragraph (2) and
4 inserting in lieu thereof "1973, and \$45,000,000 for
5 each of the fiscal years 1974 and 1975".

6 (b) Section 14 (b) of that Act (49 U.S.C. 1714 (b)),
7 is amended—

8 (1) by striking out "\$840,000,000" in the first
9 sentence thereof and inserting in lieu thereof "\$1,680,-
10 000,000";

11 (2) by striking out all after "three fiscal years" in
12 the second sentence thereof and inserting in lieu thereof
13 a period; and

14 (3) by striking out "and" in the last sentence
15 thereof and inserting immediately before the period "
16 an aggregate amount exceeding \$1,260,000,000 prior
17 to June 30, 1974, and an aggregate amount exceeding
18 \$1,680,000,000 prior to June 30, 1975".

19 SEC. 4. Section 16 (c) of the Airport and Airway De-
20 velopment Act of 1970 (49 U.S.C. 1716 (c)), is amended
21 by inserting in the last sentence thereof "or the United States
22 or an agency thereof" after "public agency".

23 SEC. 5. Section 17 of the Airport and Airway Develop-
24 ment Act of 1970 (49 U.S.C. 1717), relating to United
25 States share of project costs, is amended—

1 (1) by striking out subsection (a) of such section
2 and inserting in lieu thereof the following:

3 “(a) GENERAL PROVISION.—Except as otherwise pro-
4 vided in this section, the United States share of allowable
5 project costs payable on account of any approved airport
6 development project submitted under section 16 of this part
7 shall be—

8 “(1) 50 per centum for sponsors whose airports
9 enplane not less than 0.25 per centum of the total
10 annual passengers enplaned by air carriers certificated
11 by the Civil Aeronautics Board; and

12 “(2) 90 per centum for sponsors whose airports
13 enplane less than 0.25 per centum of the total annual
14 number of passengers enplaned by air carriers certifi-
15 cated by the Civil Aeronautics Board.”

16 (2) by adding a new subsection as follows:

17 “(e) SAFETY CERTIFICATION AND SECURITY EQUIP-
18 MENT.—

19 “(1) To the extent that the project costs of an
20 approved project for airport development represent
21 the cost of safety equipment required by rule or regu-
22 lation for certification of the airport under section 612
23 of the Federal Aviation Act of 1958 or for the security
24 of persons and property on the airport, the United

1 States share shall be 100 per centum of the allowable
2 costs thereof.

3 “(2) The amendments made by paragraph (1)
4 of this subsection shall apply only with respect to the
5 United States share of project costs payable under grant
6 agreements entered into after publication in the Fed-
7 eral Register of Notices of Proposed Rule Making with
8 respect to airport certification and airport security.”

9 (3) by adding a new subsection as follows:

10 “(f) LAND FOR FUTURE AIRPORT DEVELOPMENT.—
11 To the extent that the project costs of an approved project
12 for airport development represent the cost of the acquisition
13 of land or of any interest therein or of any easement through
14 or other interest in airspace for future airport development,
15 the initial United States share shall be 100 per centum of
16 the allowable costs thereof: *Provided, however,* That the
17 sponsor acquiring land under the terms of this subsection
18 shall agree to reimburse the Secretary for all costs incurred
19 by the United States in excess of those authorized under
20 subsection (a) of this section, with interest, with reimburse-
21 ment by one or more payments during the ten-year period
22 after such future airport development is accomplished.”

23 (4) by adding a new subsection as follows:

24 “(g) PUBLIC USE FACILITIES IN TERMINAL BUILD-
25 INGS.—To the extent that the project costs of an approved

1 project for airport development represent the cost of con-
2 structing, altering, repairing, or acquiring buildings or facili-
3 ties directly related to the handling of passengers or their
4 baggage at the airport, the United States share shall be 90
5 per centum of the allowable costs thereof.”

6 SEC. 6. Section 20 (b) of the Airport and Airway De-
7 velopment Act of 1970 (49 U.S.C. 1720 (b)), relating to
8 airport project costs, is amended to read as follows:

9 “(b) COSTS NOT ALLOWED.—The following are not
10 allowable project costs: (1) the cost of construction of that
11 part of an airport development project intended for use as a
12 public parking facility for passenger automobiles; or (2) the
13 cost of construction, alteration, repair, or acquisition of a
14 hangar or of any part of an airport building or facility except
15 such of those buildings, parts of buildings, facilities, or activi-
16 ties as are directly related to the safety of persons at the air-
17 port or directly related to the handling of passengers or their
18 baggage at the airport.”

19 SEC. 7. (a) Title XI of the Federal Aviation Act of
20 1958 is amended by adding at the end thereof the following
21 new section:

22 “STATE TAXATION

23 “SEC. 1113. No State (or political subdivision thereof)
24 shall levy or collect a tax, fee, head charge or other charge,
25 directly or indirectly, on persons traveling in air transporta-

1 tion or the carriage of persons in air transportation, or on the
 2 gross receipts derived therefrom, provided, however, that
 3 nothing herein shall prohibit a State (or any political sub-
 4 division thereof) from the levy or collection of taxes other
 5 than those enumerated above, including property taxes, net
 6 income taxes, franchise taxes, and sales or use taxes on the
 7 sale of goods or services (other than on the sale of interstate
 8 air transportation or any portion thereof); and further pro-
 9 vided, that nothing herein shall prohibit a State (or political
 10 subdivision thereof) owning or operating an airport from
 11 the levy or collection of reasonable rental charges, landing
 12 fees and other service charges for the use of airport facilities
 13 (measured on other than a per-passenger basis).”

14 (b) That portion of the table of contents contained in
 15 the first section of such Act which appears under the center
 16 heading “TITLE XI—MISCELLANEOUS” is amended by
 17 adding at the end thereof the following:

“Sec. 1113. State taxation.”

18 TITLE II—AIR TRANSPORTATION SECURITY

19 ACT OF 1972

20 SEC. 21. This title may be cited as the “Air Transpor-
 21 tation Security Act of 1972”.

22 SEC. 22. The Congress hereby finds and declares that—

23 (1) the United States air transportation system
 24 which is vital to the citizens of the United States is

1 threatened by acts of criminal violence and air piracy;

2 (2) the United States air transportation system
3 continues to be vulnerable to violence and air piracy
4 because of inadequate security and a continuing failure to
5 properly identify and arrest persons attempting to violate
6 Federal law relating to crimes against air transportation;

7 (3) the United States Government has the pri-
8 mary responsibility to guarantee and insure safety to the
9 millions of passengers who use air transportation and
10 intrastate air transportation and to enforce the laws of
11 the United States relating to air transportation security;
12 and

13 (4) the United States Government must establish
14 and maintain an air transportation security program and
15 an air transportation security-law enforcement force un-
16 der the direction of the Administrator of the Federal
17 Aviation Administration in order to adequately assure
18 the safety of passengers in air transportation.

19 SEC. 23. (a) Section 601 of the Federal Aviation Act of
20 1958 is amended by adding at the end thereof the following
21 new subsection:

22 "Passenger and Baggage Inspection

23 "(e) (1) After June 30, 1973, no air carrier or foreign
24 air carrier shall operate an aircraft in air transportation unless

1 all passengers boarding that aircraft in the United States, and
2 all such passengers' baggage brought aboard the aircraft,
3 wherever stowed, shall have been inspected by means of a
4 metal detection device (capable of detecting all metal ob-
5 jects) or by an X-ray device immediately prior to boarding
6 and have not been found to carry or contain an unauthorized
7 explosive device or weapon of any kind.

8 “(2) The Administrator is empowered to prescribe such
9 rules and regulations as may be necessary and appropriate to
10 implement the provisions of paragraph (1).

11 “(3) Notwithstanding any other provision of law, any
12 person who—

13 “(A) violates the provisions of this subsection shall
14 be subject to a civil penalty of not exceeding \$25,000
15 with respect to each violation thereof;

16 “(B) knowingly and willfully violates the provi-
17 sions of this subsection shall, upon conviction, in addition
18 to the penalty provided in subparagraph (A), be sub-
19 ject to a fine not exceeding \$25,000 or to imprisonment
20 not exceeding two years, or to both, with respect to each
21 violation thereof.

22 “(4) The Administrator shall acquire and furnish for
23 the use by air carriers, intrastate air carriers, and foreign air
24 carriers at airports within the United States sufficient de-

1 vices necessary for the purpose of subsection (a) of this
2 section, which devices shall remain the property of the
3 United States.

4 “(5) The Administrator may exempt, from provisions
5 of this section, air transportation operations performed by
6 air carriers operating pursuant to part 135, title 14 of the
7 Code of Federal Regulations.”

8 (b) Notwithstanding any other provision of law, there
9 are authorized to be appropriated from the Airport and
10 Airway Trust Fund established by the Airport and Airway
11 Revenue Act of 1970 such amounts, not to exceed \$5,500,-
12 000 to acquire the devices required by the amendment made
13 by this section.

14 SEC. 24. Title III of the Federal Aviation Act of 1958
15 is further amended by adding at the end thereof the fol-
16 lowing additional new section:

17 “AIR TRANSPORTATION SECURITY FORCE

18 “Powers and Responsibilities

19 “SEC. 316. (a) The Administrator of the Federal
20 Aviation Administration in administering the air transpor-
21 tation security program shall establish and maintain an air
22 transportation security force of sufficient size to provide a law
23 enforcement presence and capability at airports in the
24 United States adequate to insure the safety from criminal

1 violence and air piracy of persons traveling in air trans-
2 portation or intrastate air transportation. He shall be em-
3 powered, and designate each employee of the force who
4 shall be empowered, pursuant to this title, to—

5 “(1) detain and search any person aboard, or any
6 person attempting to board, any aircraft in, or intended
7 for operation in, air transportation or intrastate air
8 transportation to determine whether such person is un-
9 lawfully carrying a dangerous weapon, explosive, or
10 other destructive substance;

11 “(2) search or inspect any property, at any air-
12 port, which is aboard, or which is intended to be placed
13 aboard, any aircraft in, or intended for operation in, air
14 transportation or intrastate air transportation to deter-
15 mine whether such property unlawfully contains any
16 dangerous weapon, explosive, or other destructive sub-
17 stance;

18 “(3) arrest any person whom he has reasonable
19 cause to believe has (A) violated or has attempted to
20 violate section 902 (i), (j), (k), (l), or (m) of the
21 Federal Aviation Act of 1958, as amended, or (B) vio-
22 lated, or has attempted to violate, section 32, title 18,
23 United States Code, relating to crimes against aircraft or
24 aircraft facilities; and

1 “(4) carry firearms when deemed by the Adminis-
2 trator to be necessary to carry out the provisions of
3 this section,
4 and, at his discretion, he may designate and deputize State
5 and local law enforcement personnel to exercise the authority
6 conveyed in this subsection.

7 “Training and Assistance

8 “(b) In administering the air transportation security
9 program, the Administrator may—

10 “(1) provide training for State and local law en-
11 forcement personnel whose services may be made avail-
12 able by their employers to assist in carrying out the
13 air transportation security program, and

14 “(2) utilize the air transportation security force
15 to furnish assistance to an airport operator, or any air
16 carrier, intrastate air carrier, or foreign air carrier
17 engaged in air transportation or intrastate air transporta-
18 tion to carry out the purposes of the air transportation
19 security program.

20 “Overall Responsibility

21 “(c) Except as otherwise expressly provided by law,
22 the responsibility for the administration of the air transporta-
23 tion security program, and security force functions specifically
24 set forth in this section, shall be vested exclusively in the
25 Administrator of the Federal Aviation Administration and

1 shall not be assigned or transferred to any other department
2 or agency.”

3 SEC. 25. Section 1111 of the Federal Aviation Act of
4 1958 is amended to read as follows:

5 “AUTHORITY TO REFUSE TRANSPORTATION

6 “(a) The Administrator shall, by regulation, require
7 any air carrier, intrastate air carrier, or foreign air carrier
8 to refuse to transport—

9 “(1) any person who does not consent to a search
10 of his person to determine whether he is unlawfully carry-
11 ing a dangerous weapon, explosive, or other destructive
12 substance, or

13 “(2) any property of any person who does not con-
14 sent to a search or inspection of such property to de-
15 termine whether it unlawfully contains a dangerous
16 weapon, explosive, or other destructive substance;

17 Subject to reasonable rules and regulations prescribed by the
18 Administrator, any such carrier may also refuse transporta-
19 tion of a passenger or property when, in the opinion of the
20 carrier, such transportation would or might be inimical to
21 safety of flight.

22 “(b) Any agreement for the carriage of persons or
23 property in air transportation or intrastate air transportation
24 by an air carrier, intrastate air carrier, or foreign air carrier
25 for compensation or hire shall be deemed to include an agree-

1 ment that such carriage shall be refused when consent to
2 search persons or search or inspect such property for the
3 purposes enumerated in subsection (a) of this section is not
4 given.”

5 SEC. 26. Section 902 (1) of the Federal Aviation Act
6 of 1958 is amended to read as follows:

7 “Carrying Weapons Aboard Aircraft

8 “(1) (1) Whoever, while aboard, or while attempting
9 to board, any aircraft in or intended for operation in air
10 transportation or intrastate air transportation, has on or
11 about his person or his property a concealed deadly or dan-
12 gerous weapon, explosive, or other destructive substance, or
13 has placed, attempted to place, or attempted to have placed
14 aboard such aircraft any property containing a concealed
15 deadly or dangerous weapon, explosive, or other destructive
16 substance, shall be fined not more than \$1,000 or imprisoned
17 not more than one year, or both.

18 “(2) Whoever willfully and without regard for the
19 safety of human life or with reckless disregard for the safety
20 of human life, while aboard, or while attempting to board,
21 any aircraft in or intended for operation in air transportation
22 or intrastate air transportation, has on or about his person
23 or his property a concealed deadly or dangerous weapon,
24 explosive, or other destructive substance, or has placed,

1 attempted to place, or attempted to have placed aboard such
2 aircraft any property containing a concealed deadly or
3 dangerous weapon, explosive, or other destructive substance
4 shall be fined not more than \$5,000 or imprisoned not more
5 than five years, or both.

6 “(3) This subsection shall not apply to law enforce-
7 ment officers of any municipal or State government, or the
8 Federal Government, while acting within their official capaci-
9 ties and who are authorized or required within their official
10 capacities, to carry arms, or to persons who may be author-
11 ized, under regulations issued by the Administrator, to carry
12 concealed deadly or dangerous weapons in air transportation
13 or intrastate air transportation.”

14 SEC. 27. To establish, administer, and maintain the
15 air transportation security force provided in section 316 of
16 the Federal Aviation Act of 1958, there is hereby author-
17 ized to be appropriated for fiscal year 1973 the sum of
18 \$50,000,000, and for each succeeding fiscal year such
19 amounts, not to exceed \$50,000,000, as are necessary to
20 carry out the purpose of such section.

21 SEC. 28. Section 101 of the Federal Aviation Act of
22 1958, as amended, is amended by adding after paragraph
23 (21) the following:

24 “(22) ‘Intrastate air carrier’ means any citizen of

1 the United States who undertakes, whether directly or
2 indirectly or by a lease or any other arrangement, solely
3 to engage in intrastate air transportation.

4 “(23) ‘Intrastate air transportation’ means the
5 carriage of persons or property as a common carrier for
6 compensation or hire, by turbojet-powered aircraft ca-
7 pable of carrying thirty or more persons, wholly within
8 the same State of the United States.”

9 and is further amended by redesignating paragraph (22)
10 as paragraph (24) and redesignating the remaining para-
11 graphs accordingly.

12 SEC. 29. (a) Title XI of the Federal Aviation Act of
13 1958 is amended by adding a new section 1113 as follows:

14 “SUSPENSION OF AIR SERVICE

15 “SEC. 1113. (a) Whenever the President determines
16 that a foreign nation is acting in a manner inconsistent with
17 the Convention for the Suppression of Unlawful Seizure of
18 Aircraft, he may, without notice or hearing and for as long
19 as he determines necessary to assure the security of aircraft
20 against unlawful seizure, suspend (1) the right of any air
21 carrier and foreign air carrier to engage in foreign air
22 transportation, and any persons to operate aircraft in foreign
23 air commerce, to and from that foreign nation and (2) the
24 right of any air carrier and foreign air carrier to engage in
25 foreign air transportation, and any person to operate aircraft

1 in foreign air commerce, between the United States and any
2 foreign nation which maintains air service between itself
3 and that foreign nation. Notwithstanding section 1102 of this
4 Act, the President's authority to suspend rights in this man-
5 ner shall be deemed to be a condition to any certificate of
6 public convenience and necessity or foreign air carrier or
7 foreign aircraft permit issued by the Civil Aeronautics Board
8 and any air carrier operating certificate or foreign air carrier
9 operating specification issued by the Secretary of Transpor-
10 tation.

11 “(b) It shall be unlawful for any air carrier or foreign
12 air carrier to engage in foreign air transportation, or any
13 person to operate aircraft in foreign air commerce, in viola-
14 tion of the suspension of rights by the President under this
15 section.”.

93^d CONGRESS
1ST SESSION

H. R. 1784

IN THE HOUSE OF REPRESENTATIVES

JANUARY 11, 1973

Mr. HELSTOSKI introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

A BILL

To amend the Airport and Airway Development Act of 1970 to increase from 50 to 75 per centum the United States share of allowable project costs payable under such Act; to amend the Federal Aviation Act of 1959 to prohibit State taxation of the carriage of persons in air transportation; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Air Passenger Safety
4 and Convenience Act".

5 SEC. 2. (a) Section 17 of the Airport and Airway De-
6 velopment Act of 1970 (49 U.S.C. 1717), relating to
7 United States share of project costs, is amended—

1 “(2) operated by any person subject to regulation
2 by an agency of the United States in the performance of
3 air transportation, or

4 “(3) operating to or from any airport financed, in
5 whole or in part, from Federal funds.”.

6 (b) That portion of the table of contents contained in
7 the first section of such Act which appears under the center
8 heading “TITLE XI—MISCELLANEOUS” is amended by adding at
9 the end thereof the following:

 “Sec. 1113. State taxation.”.

93^D CONGRESS
1ST SESSION

H. R. 6057

IN THE HOUSE OF REPRESENTATIVES

MARCH 22, 1973

Mr. MEZVINSKY introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

A BILL

To amend the Airport and Airway Development Act of 1970, as amended, to increase the United States share of allowable project costs under such Act, to amend the Federal Aviation Act of 1958, as amended, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Airport Development
4 Acceleration Act of 1973".

5 SEC. 2. Section 11 (2) of the Airport and Airway De-
6 velopment Act of 1970 (49 U.S.C. 1711), is amended to
7 read as follows:

8 “(2) ‘Airport development’ means (A) any work in-
9 volved in constructing, improving, or repairing a public air-

1 port or portion thereof, including the construction, alteration,
2 repair, or acquisition of airport passenger terminal buildings
3 or facilities directly related to the handling of passengers or
4 their baggage at the airport, and (B) the removal, lower-
5 ing, relocation, marking, and lighting of airport hazards, and
6 (C) the acquisition, removal, improvement, or repair of
7 navigation facilities used by aircraft landing at, or taking off
8 from, a public airport, and (D) the acquisition, improve-
9 ment, or repair of safety equipment required by rule or regu-
10 lation for certification of an airport under section 612 of the
11 Federal Aviation Act of 1958, and (E) security equipment
12 required of the sponsor by the Secretary by rule or regula-
13 tion for the safety and security of persons and property on
14 the airport, and (F) any acquisition of land or of any in-
15 terest therein or of any easement through or other interest
16 in airspace, which is necessary to permit any of the above
17 or to remove, mitigate, prevent, or limit the establishment
18 of, airport hazards affecting a public airport.”

19 SEC. 3. (a) Section 14 (a) of the Airport and Airway
20 Development Act of 1970, as amended (49 U.S.C. 1714
21 (a)), is further amended—

22 (1) by striking out “1975” in paragraph (1) and
23 inserting in lieu thereof “1973, and \$375,000,000 for
24 each of the fiscal years 1974 and 1975”; and

25 (2) by striking out “1975” in paragraph (2) and

1 inserting in lieu thereof "1973, and \$45,000,000 for
2 each of the fiscal years 1974 and 1975".

3 (b) Section 14 (b) of the Act (49 U.S.C. 1714 (b)), is
4 amended—

5 (1) by striking out "\$840,000,000" in the first
6 sentence thereof and inserting in lieu thereof "\$1,680,-
7 000,000";

8 (2) by striking out the words "extend beyond" in
9 the second sentence thereof and by inserting in lieu
10 thereof, the words "be incurred after"; and

11 (3) by striking out "and" in the last sentence
12 thereof and inserting immediately before the period "
13 an aggregate amount exceeding \$1,260,000,000 prior
14 to June 30, 1974, and an aggregate amount exceeding
15 \$1,680,000,000 prior to June 30, 1975".

16 SEC. 4. Section 16 (c) (1) of the Airport and Airway
17 Development Act of 1970 (49 U.S.C. 1716 (c)), is
18 amended by inserting in the last sentence thereof "or the
19 United States or an agency thereof" after "public agency".

20 SEC. 5. Section 17 of the Airport and Airway Develop-
21 ment Act of 1970 (49 U.S.C. 1717), relating to United
22 States share of project costs, is amended—

23 (1) by striking out subsection (a) of such section
24 and inserting in lieu thereof the following:

25 "(a) GENERAL PROVISIONS.—Except as otherwise

1 provided in this section, the United States share of allowable
2 project costs payable on account of any approved airport
3 development project submitted under section 16 of this part
4 shall be—

5 “(1) 50 per centum for sponsors whose airports
6 enplane not less than 1 per centum of the total annual
7 passengers enplaned by air carriers certificated by the
8 Civil Aeronautics Board; and

9 “(2) 75 per centum for sponsors whose airports
10 enplane less than 1 per centum of the total annual num-
11 ber of passengers enplaned by air carriers certificated by
12 the Civil Aeronautics Board.”

13 (2) by adding a new subsection as follows:

14 “(e) SAFETY CERTIFICATION AND SECURITY EQUIP-
15 MENT.—

16 “(1) To the extent that the project cost of an approved
17 project for airport development represents the cost of safety
18 equipment required by rule or regulation for certification of
19 an airport under section 612 of the Federal Aviation Act of
20 1958 the United States share shall be 82 per centum of the
21 allowable cost thereof with respect to airport development
22 project grant agreements entered into after May 10, 1971.

23 “(2) To the extent that the project cost of an approved
24 project for airport development represents the cost of security
25 equipment required by the Secretary by rule or regulation,

1 the United States share shall be 82 per centum of the allow-
2 able cost thereof with respect to airport development project
3 grant agreements entered into after September 28, 1971.”

4 (3) by adding a new subsection as follows:

5 “(f) PUBLIC USE FACILITIES IN TERMINAL BUILD-
6 INGS.—To the extent that the project cost of an approved
7 project for airport development represents the cost of con-
8 structing, altering, repairing, or acquiring buildings or facili-
9 ties directly related to the handling of passengers or their
10 baggage at the airport, the United States share shall be 50
11 per centum of the allowable costs thereof.”

12 SEC. 6. Section 20 (b) of the Airport and Airway De-
13 velopment Act of 1970 (49 U.S.C. 1720 (b)), relating to
14 airport project costs, is amended to read as follows:

15 “(b) COSTS NOT ALLOWED.—The following are not
16 allowable project costs: (1) the cost of construction of that
17 part of an airport development project intended for use as a
18 public parking facility for passenger automobiles; or (2) the
19 cost of construction, alteration, repair, or acquisition of a
20 hangar or of any part of an airport building or facility except
21 such of those buildings, parts of buildings, facilities, or activi-
22 ties as are directly related to the safety of persons at the air-
23 port or directly related to the handling of passengers or their
24 baggage at the airport.”

25 SEC. 7. Section 12 (a) of the Airport and Airway De-

1 velopment Act of 1970 (49 U.S.C. 1712) is amended by
2 striking out the words "two years" in the first sentence
3 thereof and by inserting in lieu thereof "three years".

93^d CONGRESS
1st Session

S. 38

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 6, 1973

Referred to the Committee on Interstate and Foreign Commerce

AN ACT

To amend the Airport and Airway Development Act of 1970, as amended, to increase the United States share of allowable project costs under such Act, to amend the Federal Aviation Act of 1958, as amended, to prohibit certain State taxation of persons in air commerce, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Airport Development
4 Acceleration Act of 1973".

5 SEC. 2. Section 11(2) of the Airport and Airway
6 Development Act of 1970 (49 U.S.C. 1711), is amended to
7 read as follows:

1 “(2) ‘Airport development’ means (A) any work in-
2 volved in constructing, improving, or repairing a public
3 airport or portion thereof, including the construction, altera-
4 tion, repair, or acquisition of airport passenger terminal
5 buildings or facilities directly related to the handling of pas-
6 sengers or their baggage at the airport, and (B) the re-
7 moval, lowering, relocation, marking, and lighting of airport
8 hazards, and (C) the acquisition, removal, improvement, or
9 repair of navigation facilities used by aircraft landing at, or
10 taking off from, a public airport, and (D) the acquisition,
11 improvement, or repair of safety equipment required by rule
12 or regulation for certification of an airport under section
13 612 of the Federal Aviation Act of 1958, and (E) security
14 equipment required of the sponsor by the Secretary by rule
15 or regulation for the safety and security of persons and prop-
16 erty on the airport, and (F) any acquisition of land or of
17 any interest therein or of any easement through or other
18 interest in airspace, which is necessary to permit any of the
19 above or to remove, mitigate, prevent, or limit the establish-
20 ment of, airport hazards affecting a public airport.”

21 SEC. 3. (a) Section 14 (a) of the Airport and Airway
22 Development Act of 1970, as amended (49 U.S.C. 1714
23 (a)), is further amended—

24 (1) by striking out “1975” in paragraph (1) and

1 inserting in lieu thereof "1973, and \$375,000,000 for
2 each of the fiscal years 1974 and 1975"; and

3 (2) by striking out "1975" in paragraph (2) and
4 inserting in lieu thereof "1973, and \$45,000,000 for
5 each of the fiscal years 1974 and 1975".

6 (b) Section 14 (b) of the Act (49 U.S.C. 1714 (b)),
7 is amended—

8 (1) by striking out "\$840,000,000" in the first
9 sentence thereof and inserting in lieu thereof "\$1,680,-
10 000,000";

11 (2) by striking out the words "extend beyond" in
12 the second sentence thereof and by inserting in lieu
13 thereof, the words "be incurred after"; and

14 (3) by striking out "and" in the last sentence
15 thereof and inserting immediately before the period " an
16 aggregate amount exceeding \$1,260,000,000 prior to
17 June 30, 1974, and an aggregate amount exceeding
18 \$1,680,000,000 prior to June 30, 1975".

19 SEC. 4. Section 16 (c) (1) of the Airport and Airway
20 Development Act of 1970 (49 U.S.C. 1716 (c)), is amended
21 by inserting in the last sentence thereof "or the United States
22 or an agency thereof" after "public agency".

23 SEC. 5. Section 17 of the Airport and Airway Develop-

1 ment Act of 1970 (49 U.S.C. 1717), relating to United
2 States share of project costs, is amended—

3 (1) by striking out subsection (a) of such section
4 and inserting in lieu thereof the following:

5 “(a) GENERAL PROVISIONS.—Except as otherwise pro-
6 vided in this section, the United States share of allowable
7 project costs payable on account of any approved airport
8 development project submitted under section 16 of this part
9 shall be—

10 “(1) 50 per centum for sponsors whose airports
11 enplane not less than 1.00 per centum of the total annual
12 passengers enplaned by air carriers certificated by the
13 Civil Aeronautics Board; and

14 “(2) 75 per centum for sponsors whose airports
15 enplane less than 1.00 per centum of the total annual
16 number of passengers enplaned by air carriers certifi-
17 cated by the Civil Aeronautics Board.”

18 (2) by adding a new subsection as follows:

19 “(c) SAFETY CERTIFICATION AND SECURITY EQUIP-
20 MENT.—

21 “(1) To the extent that the project cost of an ap-
22 proved project for airport development represents the
23 cost of safety equipment required by rule or regulation
24 for certification of an airport under section 612 of the
25 Federal Aviation Act of 1958 the United States share

1 shall be 82 per centum of the allowable cost thereof with
2 respect to airport development project grant agreements
3 entered into after May 10, 1971.

4 “(2) To the extent that the project cost of an ap-
5 proved project for airport development represents the
6 cost of security equipment required by the Secretary by
7 rule or regulation, the United States share shall be 82
8 per centum of the allowable cost thereof with respect to
9 airport development project grant agreements entered
10 into after September 28, 1971.”

11 (3) by adding a new subsection as follows:

12 “(f) PUBLIC USE FACILITIES IN TERMINAL BUILD-
13 INGS.—To the extent that the project cost of an approved
14 project for airport development represents the cost of con-
15 structing, altering, repairing, or acquiring buildings or fa-
16 cilities directly related to the handling of passengers or their
17 baggage at the airport, the United States share shall be 50
18 per centum of the allowable costs thereof.”

19 SEC. 6. Section 20 (b) of the Airport and Airway De-
20 velopment Act of 1970 (49 U.S.C. 1720 (b)), relating to
21 airport project costs, is amended to read as follows:

22 “(b) COSTS NOT ALLOWED.—The following are not
23 allowable project costs: (1) the cost of construction of that
24 part of an airport development project intended for use as

1 a public parking facility for passenger automobiles; or (2)
2 the cost of construction, alteration, repair, or acquisition of
3 a hangar or of any part of an airport building or facility
4 except such of those buildings, parts of buildings, facilities,
5 or activities as are directly related to the safety of persons
6 at the airport or directly related to the handling of passengers
7 or their baggage at the airport.”

8 SEC. 7. (a) Title XI of the Federal Aviation Act of
9 1958 is amended by adding at the end thereof the following
10 new section:

11 “STATE TAXATION OF AIR COMMERCE

12 “SEC. 1113. (a) No State (or political subdivision
13 thereof, including the Commonwealth of Puerto Rico, the
14 Virgin Islands, Guam, the District of Columbia, the
15 territories or possessions of the United States or political
16 agencies of two or more States) shall levy or collect a tax,
17 fee, head charge, or other charge, directly or indirectly, on
18 persons traveling in air commerce or on the carriage of
19 persons traveling in air commerce or on the sale of air
20 transportation or on the gross receipts derived therefrom:
21 *Provided, however,* That any State (or political subdivision
22 thereof, including the Commonwealth of Puerto Rico, the
23 Virgin Islands, Guam, the District of Columbia, the terri-
24 tories or possessions of the United States or political agencies
25 of two or more States) which levied a tax, fee, head

1 charge, or other charge, directly or indirectly, on persons
2 traveling in air commerce or on the carriage of persons
3 traveling in air commerce or on the sale of air transportation
4 or on the gross receipts derived therefrom prior to May 21,
5 1970, shall be exempt from the provisions of this subsection
6 until July 1, 1973.

7 “(b) Nothing herein shall prohibit a State (or political
8 subdivision thereof, including the Commonwealth of Puerto
9 Rico, the Virgin Islands, Guam, the District of Columbia,
10 the territories or possessions of the United States or political
11 agencies of two or more States) from the levy or collection
12 of taxes other than those enumerated in subsection (a) of
13 this section, including property taxes, net income taxes,
14 franchise taxes, and sales or use taxes on the sale of goods
15 or services; and nothing herein shall prohibit a State (or
16 political subdivision thereof, including the Commonwealth of
17 Puerto Rico, the Virgin Islands, Guam, the District of
18 Columbia, the territories or possessions of the United States
19 or political agencies of two or more States) owning or
20 operating an airport from levying or collecting reasonable
21 rental charges, landing fees, and other service charges from
22 aircraft operators for the use of airport facilities.

23 “(c) In the case of any airport operating authority
24 which—

25 “(1) has an outstanding obligation to repay a loan

1 or loans of amounts borrowed and expended for airport
2 improvements;

3 “(2) is collecting, without air carrier assistance,
4 a head tax on passengers in air transportation for the
5 use of its facilities; and

6 “(3) has no authority to collect any other type
7 of tax to repay such loan or loans,
8 the provisions of subsection (a) shall not apply to such
9 authority until July 1, 1973.”

10 (b) That portion of the table of contents contained in
11 the first section of such Act which appears under the center
12 heading “TITLE XI—MISCELLANEOUS” is amended by add-
13 ing at the end thereof the following:

“Sec. 1113. State taxation of air commerce.”.

14 SEC. 8. Section 12 (a) of the Airport and Airway De-
15 velopment Act of 1970 (49 U.S.C. 1712) is amended by
16 striking out the words “two years” in the first sentence
17 thereof and by inserting in lieu thereof “three years”.

18 SEC. 9. (a) It is the sense of the Congress that no part
19 of any sums authorized to be appropriated or appropriated
20 for expenditure pursuant to the provisions of this Act shall
21 be subject to impoundment from obligation, for purposes as
22 provided in this Act, by any officer or employee in the execu-
23 tive branch of Government.

9

1 (b) For purposes of this Act in-poundment includes (1)
2 withholding or delaying the expenditure or obligation of
3 funds (whether by establishing reserves or otherwise) appro-
4 priated or otherwise obligated for projects or activities, and
5 the termination of authorized projects or activities for which
6 appropriations have been made, and (2) any type of execu-
7 tive action which effectively precludes the obligation or
8 expenditure of the appropriated funds.

Passed the Senate February 5, 1973.

Attest:

FRANCIS R. VALEO,

Secretary.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., March 23, 1973.

HON. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your requests for the views of the Office of Management and Budget on the following bills amending the Airport and Airway Development Act of 1970: H.R. 1784, H.R. 2695, H.R. 4082 and H.R. 4182.

On March 14, 1973 Mr. Egil Krogh, Jr., the Undersecretary of Transportation, testified before the Subcommittee on Transportation and Aeronautics of your Committee, and recommended against enactment of legislation which would increase fiscal years 1974 and 1975 program levels for airport development, extend airport development grant eligibility to airport terminals, increase the Federal share for airport development grants at certain airports, and prohibit the imposition by States or localities of "head taxes" on air travelers.

For the reasons given in Mr. Krogh's testimony, the Office of Management and Budget recommends against the enactment of these bills. Enactment of legislation, including provisions along the lines of those discussed above, would not be in accord with the program of the President.

Sincerely,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., March 14, 1973.

HON. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request of February 15, 1973 for the views of the Office of Management and Budget on S. 38, a bill cited as the "Airport Development Acceleration Act of 1973."

On March 14, 1973 Mr. Egil Krogh, Jr., the Undersecretary of Transportation, testified before the Subcommittee on Transportation and Aeronautics of your Committee, and recommended against enactment of this bill. In particular, Mr. Krogh opposed the provisions which would increase fiscal years 1974 and 1975 program levels for airport development, extend airport development grant eligibility to airport terminals, increase the Federal share for airport development grants at certain airports, and prohibit the imposition by States or localities of "head taxes" on air travelers.

For the reasons given in Mr. Krogh's testimony, the Office of Management and Budget recommends against the enactment of this bill. Enactment of S. 38, including provisions along the lines of those discussed above, would not be in accord with the program of the President.

Sincerely,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

DEPARTMENT OF THE TREASURY,
OFFICE OF THE GENERAL COUNSEL,
Washington, D.C., April 4, 1973.

HON. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 38, "To amend the Airport and Airway Development Act of 1970, as amended, to increase the United States share of allowable project costs under such Act, to amend the Federal Aviation Act of 1958, as amended, to prohibit certain State taxation of persons in air commerce, and for other purposes."

The bill would amend the Airport and Airway Development Act of 1970 to

increase Federal grants and the authority to incur obligations to make grants for airport development, and to increase the United States share of allowable project costs on airport development projects. It would also amend the Federal Aviation Act of 1958 to prohibit State taxation of the carriage of persons in air transportation. Section 9 would express the sense of the Congress that no sums authorized to be appropriated or appropriated under the bill would be subject to impoundment.

The President's Memorandum of Disapproval of October 27, 1972 stated that approval of S. 3755, 92nd Congress, a bill with a similar purpose, would be inconsistent with sound fiscal policy.

In view of the foregoing, the Department would be opposed to the bill.

The Department has been advised by the Office of Management and Budget that enactment of S. 3755 would not be in accord with the program of the President.

Sincerely yours,

SAMUEL R. PIERCE, Jr.,
General Counsel.

Mr. JARMAN. Our first witness this morning is the Honorable Egil Krogh, Under Secretary of the Department of Transportation. Mr. Krogh, if you will introduce your associates who are appearing with you, you may proceed in your own manner.

STATEMENT OF HON. EGIL KROGH, JR., UNDER SECRETARY, DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY JOHN W. BARNUM, GENERAL COUNSEL, DOT; AND CLYDE PACE, DIRECTOR, AIRPORTS SERVICE, FEDERAL AVIATION ADMINISTRATION

Mr. KROGH. Thank you, Mr. Chairman.

I would like to introduce on my right, Mr. John W. Barnum, the General Counsel of the Department of Transportation, and on my left, Mr. Clyde Pace, the Director of Airports Service, Federal Aviation Administration.

Mr. Chairman and members of the committee: It is a pleasure to appear before this committee again. I appreciate this opportunity to discuss with you the administration's views on the various bills which would amend the Airport and Airway Development Act of 1970.

Last year, the administration expressed strong opposition to proposed amendments that would have allowed the inclusion of terminal improvements under ADAP, increased the Federal matching share at all but the 25 largest airports, and provided for an increased annual program level. The administration also opposed any outright prohibition of "head taxes," indicating that such action did not appear justified at that time and that it would be preferable to enact an 18-month moratorium during which the impact of such taxation could be studied.

The bill that ultimately emerged from the conference committee last year, S. 3755, contained all of these objectionable provisions except the provision regarding terminal funding. It was vetoed for both fiscal and programmatic reasons.

One of the bills currently before the committee, H.R. 4082, is identical to last year's vetoed bill. The need to protect the American taxpayer from inflation and unwanted tax increases exists just as strongly today and these proposed program changes would not be less fiscally objectionable this year. We still believe that major changes of this nature are not desirable. Each would significantly increase the flow of Federal funds into airport development and construction when such action cannot be justified at this time.

The Department expressed its view last year that any substantive change in project eligibility, the Federal share, or overall program level should be delayed at least until completion and analysis of the cost allocation study, the National Airport system plan, and the report of the Aviation Advisory Commission. The first two of these reports have not yet been completed. Because they will have a direct bearing on whether any major program changes should be made, analysis of the cost allocation study's conclusions regarding the financing of the total airport and airway system should precede making any significant changes such as those proposed in the bills before the committee.

This last point is critically important. At times it has been suggested that major increases in ADAP can easily be funded through use of the developing surplus in the airport and airway trust fund. This suggestion is based on a misunderstanding of the current status of the trust fund balance. The surplus which will exist in fiscal year 1974 results from the exclusion from the fund of all of the costs of operating and maintaining the airport and airway system. In the cost allocation study, we are looking closely at all Government costs incurred in support of the airport and airway system. We are doing this in order to comply with the Congress' mandate (1) to develop a method for properly allocating system costs among the various users and beneficiaries of the system; and (2) to provide the basis for a determination of what user tax modifications may be needed. Major program changes, such as those proposed in S. 38, H.R. 4082, and H.R. 2695, should await this important study.

Now, I would like to discuss specifically the amendments to the Airport and Airway Development Act proposed in the principal bills under consideration by this committee—the Senate-passed S. 38 and H.R. 2695 and H.R. 4082.

S. 38 would make Federal funds available for the construction of terminal buildings at airports. While we recognize that the problem of airport terminal capacity for handling passengers and baggage has become increasingly important with the introduction of larger aircraft, we hold the view consistent with H.R. 2695 and H.R. 4082 that Federal funds should not be used for terminals.

For many years the terminal area—with its many opportunities for incorporation of revenue-producing concessions and wide variations in design—has been viewed as the joint responsibility of the airport operator and the airlines, and thus an inappropriate object for the use of Federal funds. In addition, we have been most concerned with the urgent problems of safety as they relate to aircraft operations on the airfield, and have sought to avoid a diversion of funds needed for these purposes. We strongly believe that any departure from this position should be made only after careful study and consideration of other alternatives. In some instances, runway capacity now exceeds terminal capacity, partially a result of the high level of activity in ADAP in its first 2 years. While recognizing the situation, it should be asked whether the Federal Government should enter the realm of terminal development which has traditionally, for sound reasons, been the joint responsibility of local authorities and the airlines. While the justification for Federal funding and standards for airfield facilities

can rest, in part, on safety consideration, such a case cannot be made for terminals.

A second issue before the committee is that of increasing the Federal matching share in ADAP from 50 percent to 75 percent for all except the large airports. Proponents of this amendment have cited as a justification for this major program change the inability of some small and medium airports to initiate development projects because of difficulties in securing their 50 percent local matching share.

Comparison of ADAP expenditures during the first 2 years of the program with the 10-year needs identified in the FAA's most recent 10-year plan indicates that, in the aggregate, the medium, small, and nonhub airports have been fulfilling their development needs at a rate approximately equal to the large airports. Further, the smaller airports are on schedule in meeting their development needs as set forth in this 10-year plan. Therefore, rather than increasing the development of small and medium airports, it is likely that any matching share increase would only substitute Federal funds for existing local financial support. Because the benefits accruing to these airports are principally local and of less significance to interstate commerce, we find increased Federal participation difficult to justify. Moreover, S. 38 and H.R. 4082 couple an increase in the Federal share with a rise in the annual authorization level for ADAP grants. As I will discuss more fully in a moment, we strongly oppose any such increase.

We endorse the position taken in H.R. 2695 that for the immediate future the appropriate level of funding for the ADAP program is the current level of \$280 million. We oppose any increase in ADAP spending, such as proposed in S. 38 and to a lesser extent in H.R. 4082. I must point out that the amounts proposed in H.R. 4082 are the same as those contained in the enrolled bill S. 3755, which was vetoed by the President last year. The spending proposed in S. 38, of course, exceeds even the amounts in the vetoed bill.

We believe that until the studies now underway have been completed and analyzed, increases in the ADAP program are not warranted, especially during this period of Federal fiscal stringency. In this respect, it is important to recognize that ADAP is currently being funded at a level four times above the funding levels under the Federal Airport Act during the 1960's.

Moreover, since the establishment of the program in 1970 there has not been a shortage of funds for airport development projects. At the end of fiscal year 1972, because some of the States were unable to find enough airport development projects to use up their full allocation, \$5.3 million available during fiscal year 1971 for air carrier and reliever airports on the State allocation basis has not been used and, therefore, has reverted into the discretionary fund. We expect an even greater amount of the State allocated funds to lapse into the discretionary fund at the end of the current fiscal year. In addition, approximately \$6 million of the funds allocated on an enplanement basis to airport sponsors likely will revert to the discretionary fund at the end of this fiscal year. There are several reasons for this inability of the States and the airports to use up all of the funds made available. With the greatly increased availability of funds, some airport sponsors have had difficulty deciding how to spend their full allocation on projects that are worthwhile and that meet FAA's

criteria for project eligibility. Local opposition and environmental constraints have impaired some planned airport development projects. That most of these problems are prevalent at the large airports, where most of the enplanement-allocated funds are directed and where raising the local matching share is typically not a problem, suggests that the problem is not a lack of funds.

S. 38 and H.R. 4082 propose increased levels of funding in the ADAP program. The rationale advanced in support of these increases has been that these higher levels are necessary to cover the extra costs that would result from increasing the Federal matching share at medium, small, and nonhub airports and, in the case of S. 38, expanding the program to cover terminal area improvements. As I mentioned previously, the current and foreseeable fiscal situation will not allow any increases above the current level of funding for ADAP—nor is any such increase warranted. Even if either or both of the previously discussed major amendments—the increase in the Federal matching share or the inclusion of terminals—were to be enacted, we believe that the changes could be accommodated sufficiently within the current program level. This would have to be done by an even more careful analysis of project applications to insure that the maximum benefits in terms of safety and capacity are realized for each dollar invested. Again, I wish to emphasize the administration's position that any substantive changes in this program should await completion and analysis of the cost allocation study.

We believe that it is not appropriate to prohibit "head taxes." In some cases, the "head tax" may be one means for State and local governments to meet their airport operating expenses. Opposition to the "head tax" has been based, in large part, on the arguments that the taxes are discriminatory and that they inhibit interstate commerce.

Last term the Supreme Court, in reviewing two airport "head taxes," held that if the tax is reasonably related to airport costs, levied directly on users, and is not discriminatory against interstate commerce, it does not constitute an undue burden on commerce.

There is one other important subject I wish to address—the use of funds from the Airport and Airways Trust Fund for the antihijacking security forces which airport operators are providing pursuant to part 107 of the FAA regulations. While the administration agrees that air carrier users should pay for this service, we believe a much simpler solution is in the offing and should continue to be pursued: namely, the approval of surcharges on air carrier tariffs. As you may know, the air carriers in February filed surcharges covering their own costs with the Civil Aeronautics Board, which unless rejected, will become effective beginning March 15. On March 8 the Department filed a pleading with the Board supporting the surcharges. With respect to the law enforcement officer costs, the carriers are free to file appropriate amendments to their tariffs. As of March 13, four carriers—American, Allegheny, Braniff, and Continental—have done so. We believe that other carriers will soon be filing such requests. We think these surcharges should be approved.

In closing, there are four minor amendments in S. 38, H.R. 2695, and H.R. 4082 upon which I would like to comment. All three bills would provide for an increase from 50 to 82 percent in the Federal matching share for equipment necessary to comply with Federal regulations pertaining to airport security and safety certification.

We support the amendment relating to security costs. We do not believe, however, that similar Federal funding of airport certification costs would be justified. This activity, although important, does not meet the test of national urgency that clearly applies in the case of airport security funding. We also support the amendment to section 16(c) of the act which would clarify the eligibility under ADAP of civil sponsors at joint-use civil-military airports, and the proposal to extend for 1 year the completion date of the national airport system plan.

Mr. Chairman, that concludes my statement. I will be happy to attempt to answer any questions you or any of the other committee members may wish to ask, and my colleagues here will assist me in that.

Mr. JARMAN. Thank you very much, Mr. Secretary. I am sure there will be questions.

The Chair would like a comment from you with reference to the cost allocation study and the national airport system plan to which you refer in your statement. What dates were established for the completion of the study and the plan, and when do you anticipate they will be completed?

Mr. KROGH. I believe in the statute in 1970, the date for the cost allocation study was for 2 years from that time.

Mr. JARMAN. May of last year?

Mr. KROGH. May of last year. We have not completed that study yet. I have not had a chance to review it. It is a very complicated study and I understand that we expect to have that completed within 3 months—by the end of this fiscal year—but we are behind that schedule. I believe the national advisory system plan also is expected to take some more time to complete, 3 or 4 months, but I don't know the exact time schedule for that plan.

Mr. JARMAN. Can you give the committee a little more information on that? Can you check on the time aspect and let us know what you think will be a predictable date?

Mr. KROGH. We are supporting the proposal in the principal bills before this committee to extend for 1 year, until May of 1973, the due date for the system plan at which time we expect it to be completed.

Mr. JARMAN. That will have been a 3-year period in which this will have been developed?

Mr. KROGH. Yes, sir; that is correct.

Mr. JARMAN. Mr. Dingell.

Mr. DINGELL. I would like to defer my questions, Mr. Chairman, if you please.

Mr. JARMAN. Mr. Kuykendall.

Mr. KUYKENDALL. Mr. Krogh, for the matter of the record I am going to ask you some questions that may seem awfully elementary to you people who work with the figures all the time, but I think we should try to clarify something.

Is it not true that all trust funds—and I won't ask you to comment on all of them, just your own—either daily or weekly or monthly, go directly into the Treasury and obligations, fully interest bearing, at the average cost of money, go to the fund as, to use a better term, an "IOU" is this not true?

Mr. KROGH. That is my understanding.

Mr. KUYKENDALL. So, for all practical purposes there are never any moneys in any trust funds; there are U.S. Government securities or I O U's only. Is that not correct?

Mr. KROGH. That is correct.

Mr. KUYKENDALL. So the idea that every dime's worth of trust fund money is not being used by the Government every day is erroneous. Is that not correct?

Mr. KROGH. Yes; that is correct.

Mr. KUYKENDALL. But really, the only difference in the use of trust fund money by the Federal Government in lieu of general revenue funds by the Government is the fact that when the Government uses trust fund moneys for general revenue purposes it becomes part of the Federal debt?

Mr. KROGH. I believe that is correct; yes, sir.

Mr. KUYKENDALL. So, part of what we are talking about here in any use of "trust fund moneys" as opposed to general revenue moneys, is the figure in the Federal debt, and that is all; because it does not affect the overall budget one penny. Is this not correct?

Mr. KROGH. I think it is correct that the budget would be affected to the same extent by using a certain amount of the trust fund as it would be by spending the same amount of general revenue funds.

Mr. KUYKENDALL. Therefore, the moneys that are borrowed out of the trust fund and put into the use of the Federal Government are not projected any differently in the combined budget than any other moneys. They become part of the Federal debt.

All right. Now, I think one of the things that has given this committee the most trouble—we are constantly reminded by our administration that our Government should be simplified, that we have too much bureaucracy, that we have too much confusion, that we have too much complication. And yet this committee, on both sides, is terribly distressed by what is appearing to be a hodgepodge of charges being made at the one and only source of money, Mr. Taxpayer. And frankly, the newest one that has me very distressed is the idea of taking a governmental cost, admittedly a governmental cost, and giving it to the airport operator, telling him to recover it from the airline, telling the airline to recover it from the passenger, and forgetting to tell CAB about it—in the sense that they would approve it immediately.

If we are going to tax the passenger, let's tax him and let's not call it part of the ticket cost, or a surcharge.

Is it not true that if you put a cost on a ticket that is a tax, you get all of it back? One percent for correction, or something like that? All of it comes back to the Government immediately; is this correct, a tax?

Mr. KROGH. Yes.

Mr. KUYKENDALL. But if you allow them to pass on an operating cost you can deduct that cost and get only half of it back from the Government; is this not correct? Or, let's say you added the new cost of fuel. I am not talking about a tax, but a cost. That is a deductible item on your operating statement.

You are in a 50-percent tax bracket. Every corporation is roughly that. So it gets half the money back.

Now, when you pass on an operating cost to the passenger you have a different fiscal setup than when you pass on a tax to the passenger.

Mr. PACE. I think this is why the CAB reviews such charges and has to allow such costs.

Mr. KUYKENDALL. But I want you to know that this whole complicated ball of wax is what we are distressed about. We have the feeling that the passenger is really being had in this whole picture.

Now, here is something else that bothers us. The use of the head tax. If we have a trust fund that is producing a surplus on the one hand we say we are spending all of it on committed funds; and yet we find on the other hand that the airports are not able to spend all we have for them.

If we are talking about the interstate commerce cost, is it not wise just to go ahead and call it that and tax the passenger for it if the trust fund isn't big enough to cover it, rather than add to it? If the trust fund has the money to cover it, spend it—and not try to say this is the tax on the same customer for this, this, and this?

Do you want to comment on that?

Mr. KROGH. As I said in my statement, we feel changing the use of the trust fund is a complicated subject right now, which requires a great deal more study. I know that I have to complete a great deal more study before I feel comfortable with it. Changing the trust fund to pick up the operational costs of law enforcement through the trust fund is a change which we oppose.

Mr. JARMAN. Let's forget that for a moment. Let's stay directly on ADAP as we passed it last December. Let's not complicate this problem by mixing those two right now.

Mr. KROGH. Let me just say that there has been a very positive response on the part of the airlines and the airport operators to the airport security program which went into effect on December 5. As I said, surcharges to cover the security costs have been presented to the Civil Aeronautics Board. We believe that this method of paying for the security system ought to be given a chance to work. The initial burden should be placed on the local level, where the incentive for cutting costs is. The airport operators may pass them on to the airlines and, in turn, have them recovered through a surcharge on the ticket.

The incentive to cut costs may not be present if the costs are to be picked up from the trust fund.

I know I am getting over into another subject, but we think it important for the committee to note that four airlines now have filed surcharges with the CAB to cover the airport operators' law enforcement costs. We expect that more carriers will be taking similar action soon. We strongly believe this means of paying for the security program should be given an opportunity to work itself out.

Mr. KUYKENDALL. Let's get back on ADAP. The proliferation of the head tax is something that is very disturbing to us. Those of us who were here when we actually wrote the original trust fund legislation, both the gentleman from Michigan and the gentleman from Washington being on the full committee at that time, we refused to get into the question of terminals, and we left what we considered some area of local tax base in order to cover the terminal.

And actually, it was pretty well intended at that time that that would simply be the matter of the airport lease with the airlines.

Now, most of us have come around to another field of thought, and this is my last question, Mr. Chairman. If we are going to allow the passenger to be free game to every local airport and every local level of government, it is probably better to go ahead and increase the percentage allowed under the already-existing allowable items; not increase the number of items; just increase the percentages—with the full knowledge that the local community can take money out of one pocket and put it to the other to build his terminal.

If his Federal share is increased, he can take that difference and put it in the terminal. That is what they have admittedly been doing.

So, again, the idea of the proliferation of added costs to the passenger is our overbearing concern here. Do you want to comment on that?

Mr. KROGH. Well, last year we did support a moratorium on the head tax because it was felt that we needed time to study it.

Mr. KUYKENDALL. You know, this committee passed that strictly as a one-item bill; that is all.

Mr. KROGH. And we would support that again this year. We feel that there has been a proliferation. I am not sure what the latest number is, but I believe it is up to 41.

Mr. JARMAN. I think it would be appropriate to make a part of the record a listing of the number of cities that now have head taxes. It is 44.

Mr. DINGELL. I think it would be helpful if the Department of Transportation would submit to us that information. I think that also—and I am sure you would do that for us—it would be prudent to observe that the number is going up by the minute.

[The following information was received for the record:]

AIR PASSENGER HEAD TAXES AS OF MARCH 1973

City	Amount	Effective date	Fiscal 1971 U.S. air carrier enplaned passengers	Estimated annual receipts
Asheville, N.C.	\$2.00	Oct. 1, 1972	120,610	\$241,220
Allentown, Pa. ¹	2.00	Scheduled carriers Oct. 1, 1972	135,789	271,578
Allentown, Pa.	1.00	Computer airlines Jan. 1, 1973	² 20,000	20,000
Cedar Rapids, Iowa ¹	1.00		157,066	157,066
Chattanooga, Tenn.	1.00		198,893	198,893
Des Moines, Iowa ²	1.00	Nov. 6, 1972	403,413	403,413
Duluth, Minn. ²	1.00	Jan. 1, 1973	108,408	108,408
Eugene, Oreg.	2.00	Feb. 15, 1973	91,457	182,914
El Dorado, Ark.	1.00		6,913	6,913
Evansville, Ind.	1.00		161,900	161,900
Fort Wayne, Ind. ¹	1.00		153,181	153,181
Fort Myers, Fla. ¹	1.00	Dec. 1, 1972	82,981	82,981
Hancock, Mich. ²	2.00	Feb. 6, 1973	13,000	26,000
Huntsville, Ala. ¹	1.00	July 1, 1972	213,256	213,256
Indianapolis, Ind. ²	.25	Feb. 16, 1973	1,014,000	253,500
Jackson, Miss. ²	1.00	Nov. 1, 1972	270,029	270,029
Jacksonville, Fla.	(¹)			
Kalamazoo, Mich. ²	1.00	Aug. 15, 1972	65,726	65,726
La Crosse, Wisc. ²	1.00	Sept. 1, 1972	27,049	27,049
Lafayette, La. ¹	1.00	Mar. 5, 1973	62,000	62,000
Lake Tahoe, Calif. ^{1,3}	.50	Feb. 6, 1973	4,000	2,000
Madison, Wisc. ²	2.00	Feb. 1, 1973	193,442	386,884
Medford, Oreg.	2.00	Jan. 25, 1973	60,134	120,268
Melbourne, Fla. ²	1.00	Mar. 1, 1973	108,000	108,000
Merrion-Herrin, Ill. ²	1.00		11,000	11,000
New Hampshire (6 State owned airports) Berlin, Keene, La Conia, Lebanon, Manchester, White Field.	1.00	For passengers in aircraft over 12,500 lbs. Aug. 31, 1969.	8,437	28,437
	.50	For passengers in aircraft under 12,500 lbs.	15,000	7,500
Newport News, Va. ¹	1.00	Jan. 1, 1973	186,615	186,615
Norfolk, Va.	1.00	Feb. 8, 1973	604,364	604,364
North Platte, Nebr.	(¹)			
Pensacola, Fla. ²	1.00	Aug. 1, 1972	168,225	168,225
Philadelphia, Pa. ²	3.00	2 percent complete July 1, 1972	3,175,784	9,527,352
Raleigh-Durham, N.C. ¹	2.00	Sept. 1, 1972	500,941	1,101,882
Richmond, Va. ²	1.00	6 percent refund July 1, 1972	353,686	353,686
Roanoke, Va. ²	1.00	Nov. 15, 1972	263,649	263,649
Rochester, Minn. ²	2.00	Mar. 1, 1973		
Rochester, N.Y. ²	1.00	Nov. 1, 1972	653,242	653,242
Sarasota, Bradenton, Fla. ¹	2.00	Mar. 1, 1973	172,713	345,426
Traverse City, Mich. ²	1.00	Oct. 1, 1972	44,820	44,820
Tri-City, Mich. (Saginaw/Bay City/Mid- land) ²	1.00	July 1, 1972	139,827	139,827
Tucson, Ariz. ²	1.00	Mar. 1, 1973	449,000	449,000
Tyler, Tex.	2.00		10,484	20,968
West Palm Beach, Fla.	1.00	Feb. 6, 1973	371,558	371,558
Williamsport, Pa. ¹	1.50	Feb. 6, 1973	43,000	64,500
Youngstown, Ohio.	1.00		130,043	130,043
		Average \$1.25 ⁴		
Total			11,094,635	18,377,273
Weighted Average		\$1.66 Rev./Pass.		

¹ Collected by airport authority.² Estimate.³ Collected by air carrier.⁴ Enacted but effective date and amount not available.⁵ Pending.⁶ N. Hampshire & Allentown, Pa. each counted as one airport.

Mr. JARMAN. Mr. Secretary, have you completed your response?

Mr. KROGH. Yes. I would like to have Mr. Barnum, if he would, respond to Mr. Kuykendall's first question.

Mr. BARNUM. Your question, Mr. Kuykendall, about the impact of the tax on the air carrier leaves me a little uncertain as to whether we realize what is going to happen there. It is not a question of that money being taxed 50 percent. By definition, what is happening from the air carrier's point of view is that his expenses are increasing by \$1.

Mr. KUYKENDALL. Right.

Mr. BARNUM. And through the CAB authorizing a surcharge, let's assume of \$1, his receipts are increasing by \$1 to cover those expenses. So out of that extra dollar of receipts there is no profit to it; there is no tax to be paid. It is simply a wash on the books of the air carrier. That is the CAB's job, to make sure that it is a wash and that it is not a hidden fare increase.

Mr. KUYKENDALL. Why go through that bookkeeping manipulation? Why not just make it a tax?

Mr. BARNUM. That is a policy choice, but I wanted to make it clear that it is not going to be a difference in the cost to the traveler.

Mr. KUYKENDALL. I understand.

Mr. BARNUM. Whether it is paid by the air carrier to the airport operator or whether it is paid as a tax to the Government, there is no difference in the cost.

Mr. KUYKENDALL. But it does not go on the ticket as a tax, even though it really is.

Mr. BARNUM. It is an additional cost.

Mr. KUYKENDALL. And it is a governmental cost.

Mr. BARNUM. Well, that is one of the things we are debating, whether you want to charge it to the Government or whether you want to charge it to the system.

Mr. KUYKENDALL. What I am saying, though, is that the policing function is a governmental function and this is the cost to that.

Mr. BARNUM. I think we have a basic disagreement on that. The charge would cover that cost—that is true—if imposed as a tax, and it would cover that cost if added to the ticket.

Mr. ADAMS. I don't know to what degree you have been briefed on the testimony that occurred before this committee on what happened in the conference that most of us attended at the end of the last session. Were you aware of the testimony of Mr. Shaffer to the chairman and myself last time on the head tax?

Mr. KROGH. I have gone through it briefly.

Mr. ADAMS. I know you are new to this. I think it is terribly important what we do right now, this committee and yourselves, because many of us, in the spirit of compromise, have tried to work this out. We were down to one item of disagreement last year, between the administration's position and ours, and that was on mandatory spending.

It was our understanding—and I will simply state this to you so that you will understand the committee's feeling, having lived through this last year—that the head tax provision was acceptable, that because we were taking away the head tax, some change in formula from 50-50 to 75-25 was acceptable; that a figure of \$280 million was ac-

ceptable; that the only thing that hung it up was the fact that we had a disagreement with the Senate which had raised a mandatory spending limit.

Mr. DINGELL. A floor.

Mr. ADAMS. A floor.

Mr. KUYKENDALL. I will confirm this. Mr. Harvey is not with us. He was the carrier of the "Message from Garcia" that was absolutely accurate.

Mr. DINGELL. If the gentleman would yield, that was the clear understanding of the entire committee last year, Mr. Secretary, and I think you ought to know that.

Mr. ADAMS. It is that about which I want to be certain, that you know and understand about that from this committee, because we discussed that understanding with Mr. Shaffer. I will refer to pages 40 and 41 of the testimony, which you can look at, of our hearings last year, where the Chairman and I and Mr. Kuykendall and Mr. Harvey were questioning him. And at one point he commented on the head tax, indicating they had not made a study, but that he was of the opinion that there will be a lot more people on the payroll and a lot more overhead, but there will be a little flow of cash or capital into the system by using the head tax.

Later on he stated this: "I really hope that the governing bodies, the local politicians or local elected officials will understand that the benefits from the airport far outweigh the attractiveness of additional taxes which might at some point arrest or impede or even diminish the airport's contribution to the community."

"These taxes should not be encouraged. I am hopeful the discussions we are having will serve to do that."

Now, we had six taxes at that point. We are now at 41. The Chairman at this point, Mr. Jarman, said after the comments: "I find it a little hard to reconcile that with the most recent statements verbally from some of the sentiments expressed in the written statement."

So what I am indicating to you is that I am very distressed at your statement, which goes back to the written statement that we received from Mr. Shaffer, but is very contrary to the questioning, the answer that Mr. Shaffer gave us in questioning, and to the discussions we had in conference.

And we need to know whether we are going to be at loggerheads, starting all over on this, or whether we can pick it up at the end of last year's understanding, which could be relatively simple, and pass a bill that would abolish head taxes, give a 75-25 formula to aid the airport operators for whatever cash flow they lacked, agree on the security amounts, which we think we could, and then compromise with you on a mandatory limit.

Now, having made that statement, I want to ask you this: Isn't it correct at the present time that we have an 8-percent tax on all passengers?

Mr. KROGH. Yes, sir.

Mr. ADAMS. Now, if we put a head tax or allow this head tax to continue, that is an additional tax on the users; is it not?

Mr. KROGH. That is correct.

Mr. ADAMS. So any money we are talking about in spending in this bill does not in any way become an inflationary matter because it is already covered by a tax surplus.

Mr. KROGH. I believe that is correct. It would not go outside that \$280 million.

Mr. ADAMS. Right, And let us say we spend just \$280 million. I will ask you to check these figures. These were from the Senate report last time, and in my remembrance they were supplied by the Department.

In the fiscal year 1973, which is ending, even if we spent the \$280 million, we would have a surplus. In other words, we would be taking from the users, by taxes, over \$137 million more than we were spending on them.

Mr. KROGH. In fiscal year 1973?

Mr. ADAMS. Right. And next year it would be \$146 million, for accumulations of \$246 million more we were taking from the users than we were giving back to them.

Mr. KROGH. I will check those figures, Congressman.

Mr. ADAMS. I am giving those to you because it becomes very important in this context that the Administration officials and this committee, communicate over prohibiting these head taxes, and in doing so, about what kind of slack there is, or what we are doing in terms of the users, now, the people in this system who are paying taxes to help the airports if they have problems.

Now, my understanding from your statement is that the airport owners don't need any more money; they can't use what they have got now.

Is that what you were saying?

Mr. KROGH. In some cases, under the two one-third formula parts, for population and area, on an enplanement basis, a small amount of money from each of those accounts has reverted into the discretionary account, which was the one mentioned by the FAA Administrator. But those are very, very small amounts at this time. I think \$6 million in the first and \$5.5 million in the second.

Mr. ADAMS. All right.

Now, we are going to hear from the airport owners, and we will hear, I am sure, from the carriers and so on, but I would like to request that you supply the chairman of this committee and the rest of us with copies of what the Administration's position is going to be if we do not exceed a spending minimum of, say, \$280 million. In other words, a floor, and whether or not the conference bill of last time is going to be acceptable.

[The following statement was received for the record:]

ADMINISTRATION'S POSITION IF SPENDING MINIMUM FOR ADAP PROGRAM IS \$280 MILLION

As I stated in my prepared testimony, the appropriate funding level for the ADAP programming for fiscal years 1974 and 1975 is \$280 million. We would support a legislative provision which establishes this level of spending for the program. The Administration's position on a bill containing this funding level would depend, of course, on what other provisions were included.

Mr. KROGH. In terms of the first part of your question, Mr. Adams, with respect to Mr. Shaffer's testimony, his written statement at that time constituted the Administration's program. My written statement

today also constitutes the Administration's position. From our point of view, that is where we are beginning from.

Mr. ADAMS. In other words, you want us to start all over again, take our positions of prohibition, a high spending level, a high formula, and then we fight it out in the trenches again through the summer?

Mr. KROGH. I would prefer you not do that.

Mr. ADAMS. I would prefer not, too. This is what we are trying to avoid.

Mr. KROGH. Congressman Adams, I might note that the \$280 million figure which you have cited, is in the budget this year. That is our budget figure. So we are together on that point.

Mr. ADAMS. All right.

Now, your budget figure, however, in this fund—what we are talking about is simply an allocation out of the trust fund.

Mr. KROGH. That is correct.

Mr. ADAMS. It has nothing to do with general revenue taxes, does it?

Mr. KROGH. That is correct.

Mr. ADAMS. Now, I want to know—because we do not have anyone else from the Department of Transportation up here, as we did with Mr. Shaffer, and I know that you have not had a chance to analyze this: Is there any point in having you testify later in these hearings, after we have heard from the problems of the other people, on the potential administration position, after you have had a chance to analyze this, and so on?

Because, you see, your testimony on that study is very unsatisfactory, at least to this member. All that is being done is that the study is being put off, year, after year, after year; in the meantime the head taxes proliferate, the users are paying in their money every day, and they are not getting it back. So the longer the period of time that goes by without a report on the study—you say you are waiting for the study—the longer a bad situation continues, and we will never recoup that money.

Mr. DINGELL. Will the gentleman yield?

These studies are now in excess of 1 year later, with every prospect for their being delayed another year, according to what I have gathered from your testimony this morning, Mr. Secretary.

You were telling this committee that we are supposed to wait for some studies that are now over a year overdue, and I don't know what you people down there have been doing with that year's time, while you get good and ready to send us a study up here.

Now, we are supposed to delay policy decisions in Congress while you folks twiddle your thumbs downtown when you should be providing this committee with studies which you are required by law to submit to this Congress and this committee. And you say, "Now, you fellows just sit around and twiddle your thumbs and wait a bit more."

Now, that is not the function of this committee. It has never functioned that way, and it is not going to function that way now. And I happen to know that I speak for the members on both sides.

You pulled the same thing at DOT with regard to the National Transportation Plan. You were directed to submit a national transportation plan to this committee, so that we could get an understanding of what our national goals and policy were in the field of transportation.

It came up here and it was like watered milk. And it came up here almost a year late.

I don't think that is a proper way to conform with the requirements of the law at all. And I think it is particularly unconscionable when you submit these studies late, at some time in the distant and unforeseeable future and say, "Now, you fellows sit around and twiddle your thumbs until we get your report and then we'll tell you what to do."

We told you to have these studies up here over a year ago, Mr. Secretary.

Mr. BARNUM. May I respond to that, Mr. Dingell?

Mr. DINGELL. I hope you give me a good response.

Mr. BARNUM. I hope you think it is a good response.

Mr. DINGELL. I doubt it. Go ahead, sir.

Mr. BARNUM. I was present during the year—plus that these studies have been worked on.

Mr. DINGELL. And you are late by law. The law says you are to have them here by a fixed date, and you haven't got them here. And now you have the gall to come in and tell us to wait around "while we get around to doing these studies." And you don't even know when the studies are going to be up here.

Mr. BARNUM. It is my understanding that with respect to the cost allocation study, the Department and the administration did communicate with the committee as to the timing.

Mr. DINGELL. What did the law say? Have it here by a certain date; right?

Mr. BARNUM. I am not arguing that the law was changed.

Mr. DINGELL. I think the law is rather clear.

Mr. BARNUM. It was our understanding at that time that an extension of a year for the cost allocation study was acceptable to the committee.

Mr. DINGELL. I don't remember ever receiving any communication. That was vetoed. I am informed.

Mr. BARNUM. That is correct.

Mr. DINGELL. So the law stands.

I didn't file that veto. You folks downtown did that.

Mr. BARNUM. I think that what was in the last bill that was not enacted was the extension of 1 year for the airport systems plan, not for the cost allocation study. You are entirely correct, of course, that the 1970 act laid on us two obligations, each to be acquitted within 2 years. With respect to the airport systems plan, in the bill of last year, your passing an extension of 1 year indicated to us this committee's approval, of our having at least another year within which to submit that plan.

Mr. ADAMS. But just a minute. That was predicated on the fact that we had solved the problem, that the bill was going to be passed. We were willing to extend it. In other words, nothing is final in this world.

If you wanted to do something different, starting with what the conference has come up with, we were very willing to extend that reporting date. And if we had the wrong formula, and some of your advisers felt we should do a different thing, then we would be working on it this year.

But what is bothering me deeply—and I hope you communicate the message back—is that you are coming up and testifying. Mr. Secre-

tary—and I am very fond of you and I know you are very sincere—but what you are being required to do is to say to us: “We have knocked out everything you have done over 2 years’ work, including an extension of a study, but we want you to delay and go back, because we haven’t produced the study and wait until the study comes in. In the meantime leave things the way they were. We are going right back to where we were 2 years ago.”

And that is very unacceptable to many of us.

Mr. Chairman, I have taken more time than I should. I apologize to the committee.

Mr. JARMAN. Mr. Shoup.

Mr. SHOUP. Thank you. Mr. Chairman.

Mr. Secretary, I don’t believe I heard the answer to why the study has not been completed.

Mr. KROGH. The best answer I can give to that, Mr. Shoup, is that the subject matter is extremely complicated; that it has taken a great deal of time to consult with the very many people that I think the statute requires the Department to consult with, and that the departmental analysis has not yet been completed, that these efforts have taken quite a bit more time than was originally anticipated.

Mr. SHOUP. For my own information, when the initial requirement was set out for this study to be completed, were you consulted as to the time? Was the Department agreeable on the time allocation, the due date? Or was this an arbitrary figure picked out of the air by the Congress?

Mr. PACE. I am familiar with some of the work that was being done at that time. The due date was one that was felt to be realistic. However, the experience of the delay in the start-up of the Aviation Advisory Commission, the delay in starting to organize the studies and reach out into the airport system for the information, meant that we were unable to complete it within the 2 years allotted.

This is why we ask for the year’s relief on the national airport system plan.

Mr. SHOUP. You took the 1 year—even though the bill was vetoed, you took the 1-year relief. Now you are asking for another year extension?

Mr. KROGH. No, sir; just 3 or 4 months at this point. We are not asking for another year.

Mr. SHOUP. May I ask you: what if the committee says, absolutely no.

Mr. KROGH. Well, it would leave us somewhat in a quandary right now, because the studies are not completed at this point.

Mr. SHOUP. Basically, that is it. Whether we say yes or no, it is a fact that they are not ready.

Mr. KROGH. Yes, sir.

Mr. SHOUP. Mr. Adams made some reference to the surplus in the past 2 years that we have had and you did not comment on his remarks or deny that they were correct. And yet in your statement on page 2 you take exception to the statements made on the amount of the surplus, because there have been excluded from the funds the costs of maintaining an airport and airway system.

I fail to understand exactly why the exclusion of these. Were Mr. Adams’ figures correct?

Mr. KROGH. Are you describing the exclusion of the operating and maintenance costs on page 2?

Mr. SHOUP. Yes.

Mr. KROGH. Those, as I understand, have been excluded by law. Those are in general fund appropriations.

Mr. SHOUP. Is it not true, then, that the surplus figures that are being used, that I think Mr. Kuykendall used, are correct?

Mr. KROGH. Sir, I don't believe we have the identical figures of Mr. Kuykendall at this point. We should verify them, but there is a surplus.

Mr. SHOUP. One more sentence in here is that this is based on a misunderstanding of the current status of the trust fund balance.

Then you go on with the implication that the figures that we are using after the passage of the bill last year—you don't agree that they should be excluded. And I think we are excluding them in our figures, or Mr. Kuykendall is.

Mr. PACE. The commitments from the trust fund, in the three areas of the FEA hundred-percent FEA program and the ADAP program and the R. & D. program—I don't think we quite agree with these figures, which is why I think we should furnish the number to you for the record.

It is our understanding that we have been asking for some funds from the general treasury to support the level of obligation that we have been going through. And we will have to do this during 1975.

So I am not sure exactly where you got your figure. But we do, substantially, agree on the estimate for 1974 of the \$248 million. I believe that is what was expressed. That figure for 1974 is an estimate.

Mr. SHOUP. Then we do have a surplus.

Mr. PACE. We estimated one for 1974. But for 1973 we need some additional help.

Mr. SHOUP. On page 3, in attempting to not agree on the use of the money for the terminal area, you speak of the opportunities for incorporation of revenue-producing concessions and wide variations in designs.

Is this a basic criterion that you have for the expenditure of Federal funds? Or only in this case?

Mr. PACE. I would be glad to answer that. We have not participated during the ADAP program in the funding of terminal buildings at all. We have not been in the financing of terminal buildings for perhaps 12 years now, from the old Federal aid airports program. The terminal building as a unit can be self-supporting, with good management. It can attract revenue-producing activities within that terminal building, and house the activities of the airlines, which, of course, pay for the space that they occupy in the pursuit of their operations.

So that as a unit, where you have good levels of traffic, the terminal building has proved to be a generous revenue producer, and not in need of any grant assistance from our program. We have been able to devote our funds to the landing area itself.

Mr. SHOUP. On page 4, Mr. Secretary, you speak of the inability of some small or medium airports to initiate development projects, because of the difficulties in securing their 50 percent local matching share. I think this is true. This has held back their development, because of the 50 percent. I think we recognize this.

This was one reason why the increase in matching. But then you go on down below and you say that it is likely that any matching share increase would only substitute Federal funds for existing local matching support, and that it would not increase the development of small and medium airports.

It seems to me as though you are contradicting yourself.

Mr. KUYKENDALL. I think it is important that we get a question answered here before you answer that question.

Isn't it correct that we agreed that the increase in matching funds was not mandatory but permissive?

The Senate wanted it one way and we wanted it the other? Didn't we get our way on that one?

Mr. ADAMS. No. The formula was changed but there was a mandatory figure in there. But we compromised with the Senate between the \$280 million which the administration wanted and a figure that had come out of the Senate which was much higher.

Mr. KUYKENDALL. We increased from 50 to 75 but we didn't make it a mandatory 75. Didn't we make it permissive to go to 75?

Mr. ADAMS. Yes.

Mr. KUYKENDALL. Are you aware that the bill in Congress that was vetoed made the increase only permissive?

Mr. KROGH. Yes.

Mr. SHOUP. Again, it seems as though those two statements are contradictory. In one place you are saying that the small and medium airports are unable to come up with their matching share, but that if we would increase the Federal share you would get no more construction.

Mr. KROGH. Mr. Shoup, I think that misreads that statement. It says "the proponents" of this amendment have cited this as a justification. That is not our position. From what we have been able to glean, the small and medium airports have not had that much difficulty in raising their matching share. And that being the case, if we were to increase the Federal share from 50 to 75, even though permissive, it would substitute, to the tune of that 25 percent, Federal money for local money. Our information is that most of the airports have been able to raise their share.

Mr. SHOUP. Your position is that the local communities have had no problem in matching their share?

Mr. KROGH. I won't say no problem; I would say, in the aggregate, they have not had a problem raising money to meet the needs which were specified in the 1969 study.

Mr. SHOUP. Then if we go over on page 5, you speak of the money that lapses into the discretionary fund. Is this because there is no need for it, that it lapses back? That they are unable to raise matching funds, that there is a lapse of money?

Mr. KROGH. It could be a combination of both. In some cases it could be because the needs they have might not require the amount that has been allocated in the fund and therefore it would revert back to the discretionary fund.

Mr. SHOUP. And how would we find out?

Mr. KROGH. I understand that this subject is part of the work being done now in the Department, on the cost allocation study and the aviation security plan.

Mr. SHOUP. The only way I can find out is through my mail from my individual airports, that the problem is the matching funds, that it is not that they don't have a place to use it. They have many places to use them; they would like to, but they are unable to find adequate funds on a local level to match at a 50-50 matching basis. This is one

reason why there is a lapse in the use of them rather than a lack of need. There is a need there.

So it would seem to me, then, that if we would assist them to get an increase in the matching, I think this is the reason why we all, this committee and the Congress—why this committee and the Congress went for the increase in the matching funds, an increased Federal share of the matching funds.

It would accelerate the development of the airports. But the position of the administration is that this is not true.

Mr. KROGH. The position of the administration is that the matching share should remain the same: 50-50. Increasing the match from 50 to 75 percent is not warranted at this point. That is our position.

Mr. KUTKENDALL. Even with discretion? We did not agree with the Senate that it had to be mandatory and we won our point—that it should be discretionary.

Now, do you want to comment on that?

Mr. KROGH. Sir, our position is that the match should stay at the 50-50 level right now.

Mr. SHoup. It looks like we are back in the trenches.

I have no further questions.

Mr. METCALFE. I would like to get some clarification, Mr. Secretary, on your last sentence, or second-last sentence, the first line from the bottom on page 3, in which you say that in some instances runway capacity now exceeds terminal capacity.

What do you mean by "capacity," when we are referring to runway and terminal?

Mr. KROGH. Mr. Metcalfe, I would like to have Mr. Pace respond to that.

Mr. PACE. Yes; the runway capacity is identified in the number of operations a runway can handle safely during the period of operations of the airport itself. The passenger handling capacity of the terminal is how many people can go through the building.

So we are talking about the ability of the runway to take so many airplanes. We are talking about the buildings being able to take so many people.

You can have a runway that can handle many more airplanes and can put many more people on the ground than you can properly process to your terminal building in an efficient manner. We had the problem here at National Airport in 1966. I don't want to open up a new subject, but we have been able to relieve some of the passenger congestion in the terminal area by working with the airlines and not calling upon additional Federal expenditures for terminal building purposes.

Mr. METCALFE. In the case of O'Hare Field in Chicago, isn't the opposite true, where you have more passengers than you have runway capability?

Mr. PACE. Just within the last 8 months they have opened up an additional runway that will help bring the runway and terminal capacities more in balance.

Mr. METCALFE. Would that eliminate much of the stackup time that you encounter when you go into O'Hare, where they have no landing facilities?

Mr. PACE. Hopefully the new runway that has just come into service would do this.

Mr. METCALFE. Mr. Secretary, I would like to now move to page 7 in which you indicated your approval of the surcharge of the air carrier traffic, as it relates to the antihijacking security.

It was revealed, I think, that we now have 44 airports that charge this surcharge. And as Mr. Dingell pointed out, they are increasing almost by the moment.

Do you have an idea as to what that figure is that is going to be necessary? I know we are dealing with this subcommittee in regard to the hijacking. What is it going to actually cost to implement a safety program throughout the Nation in the various airports?

Mr. KROGH. The estimate costs of the law enforcement component, the guard costs under the existing program we estimate at approximately \$42 million. I think our estimate is 3,100 guards stationed throughout the system at 531 airports. I think the airlines have presented a similar estimate for the law enforcement security costs to the CAB.

Mr. METCALFE. Well, the surcharge varies according to the airport, does it not? Some charge a dollar and some are in excess.

Mr. KROGH. The head tax. Yes, sir; the head tax varies according to the airports, I think ranging from a \$1 minimum to a \$3 maximum.

Mr. METCALFE. What would you say is the mean figure?

Mr. KROGH. It would be approximately \$1.25 or \$1.30. Most of them are in the dollar range. I spoke of the high being \$3 and the low at \$1. So I think the mean would be about \$1.25.

Mr. KUYKENDALL. Will the gentleman yield?

Are we talking about 2 percent across the board?

Mr. KROGH. Yes.

Mr. KUYKENDALL. We were relating it to the 8 percent we have already.

Mr. DINGELL. You were referring to the head tax and were going to make a submission to the committee regarding head taxes. I assume you have an analysis of head taxes before you.

Mr. KROGH. No, sir; I was asked for an estimate of the average costs. I am basing my answer on a schedule showing the head taxes assessed by each airport or city which have levied one to date. This schedule has been submitted for the record. I would have to come back with an accurate statement of what the average would be.

Mr. DINGELL. Very good.

[The following statement was received for the record:]

AVERAGE COST OF HEAD TAXES CURRENTLY IN EFFECT

The table entitled, "Air Passenger Head Taxes as of March 1973" (see p. 65), indicates the location, the amount, and other information concerning the head taxes which we are aware of. On the basis of this document, we calculate the average of the head taxes currently in effect to be \$1.25.

Mr. METCALFE. I notice throughout your statement that you were in opposition to the bills before us, S. 38 and H.R. 2695. You are in opposition. I am concerned with this \$42 million whether or not the present tariff, the volume of passengers, at the rate of the means figure of \$2 is going to be, in and of itself, sufficient to meet the costs to provide an adequate antihijacking security program.

Or will the passengers be stuck with more of a head tax?

Mr. KROGH. Mr. Metcalfe, there is a distinction as to the surcharge,

which the airlines are requesting and we are supporting. The surcharges requested by all the air carriers would include both the costs to the airlines for conducting 100-percent inspection of individuals going through a gate as well as his 100-percent inspection of carry-on baggage. The filings of four carriers request, in addition, a surcharge to meet the law-enforcement costs, which are being negotiated out between the airport operators and the airlines. All of this is part of the surcharge request being made to the CAB.

The head tax is a separate item levied by local governments for the most part, and responsive to more than security needs. It could be used to pay for any other need related to airport development.

Mr. DINGELL. Well, now, just one minute. Would the gentleman yield? There is no restriction whatsoever as to what head taxes are used for. They may be used for general revenue purposes; they may be used for any purpose that the levying authority chooses.

Now, isn't that a fact?

Mr. KROGH. Well, I am going by—

Mr. DINGELL. No, you are not "going by." Just answer the question. There are no limitations on what they can use the proceeds of these head taxes for, now, are there?

Mr. KROGH. The limitation, as I understand it, is what the Supreme Court decided in the *Evansville* case.

Mr. DINGELL. No; the Supreme Court did not speak to what they could use these head taxes for. And as a matter of fact, if you read last year's hearings—I commend them to you—you will find Philadelphia is making a \$1.3 million profit which they are using for general revenue purposes.

Mr. KROGH. The *Evansville* case, as I read it, sir, related to airport costs, airport development costs.

Mr. DINGELL. It is cited in last year's hearings, Mr. Secretary, and I challenge you to show me where it says that they have to use the head tax for airport purposes.

Mr. KROGH. I will have to look at it more closely.

Mr. ADAMS. What I want to be certain is brought out and made clear is that the consumer is paying 8 percent on his ticket now. And that is rounded out to the next highest dollar. So it means that he often goes above a \$1 charge. Then he is going to be hit with a dollar surcharge under your proposal for airport security costs.

Mr. DINGELL. If the gentleman will yield, it will be more than a dollar.

Mr. ADAMS. Well, there will be the approval of a surcharge. The testimony in the hijacking hearing was that it was around a dollar, but it could be rounded out also to be above a dollar. The administration is supporting the carriers on this surcharge, which is going to come from the user.

And then there is a head tax charge which is in addition to that, and it will run between a dollar and \$3.

Isn't that correct?

Mr. KROGH. That is the range of the head taxes now, between a dollar and \$3.

Mr. ADAMS. Under your proposal which you brought in to us you are going to hit the user three times for using the airway. Because you say you don't go for prohibition of the head tax. So he gets the head tax placed on him.

You are going to support a surcharge on tickets before the CAB. And you don't want to change the 8-cent figure that is going in, even though there is a surplus in the trust fund.

Mr. KROGH. All three of those would be possible.

Mr. ADAMS. Thank you.

Mr. METCALFE. I think that answers my question. Because we were talking about where this money is coming from; whether the taxpayer has to pay it, and as an add-on expense and not as a tax; or whether or not it is going to be recognized for what it really is, which is a head tax. And it is a tax. And I don't think the average taxpayer realizes that he is paying a tax today when he leaves these 44 airports, and more to come later on.

Mr. BARNUM. In clarification and response to the questions of two of the members, as to whether or not, under the Supreme Court decision, you can use head-tax proceeds for nonairport costs—I would like to have the record reflect this sentence that is in the Supreme Court's opinion:

Yet so long as the funds received by local authorities under the statute are not shown to exceed their airports costs, it is immaterial whether those funds are expressly earmarked for airport use.

Now, there the court was recognizing that as a bookkeeping matter they did not have to go directly to the airport. But we have interpreted that to mean that so long as the tax proceeds were being used, ultimately for airport use, it did not constitute an unreasonable burden on interstate commerce.

I don't think the Supreme Court's decision could be read as approving a tax the proceeds from which were used for more than airport use.

Mr. ADAMS. Will the gentleman yield? I am very familiar with that case and if you will read the paragraph again, it makes it very clear. They overturned the railroad case that probably prohibits a State from putting a tax on railroad passengers going State to State. The decision does not require any specific allocation out of that head tax for airport purposes.

And the Philadelphia authorities have specifically made it not allocable to that purpose. That language says all you have to show is that you are spending any money on airports. And that, of course, at a \$1 or \$2 charge, can always be shown.

Mr. KUYKENDALL. Will the gentleman yield?

Mr. ADAMS. Yes, I yield.

Mr. KUYKENDALL. Will you write down a figure on a piece of paper in front of you, \$25 million?

Mr. BARNUM. And present it to you as an I O U?

Mr. KUYKENDALL. If you want to consider your chances of collecting it. OK.

Now, does not the Supreme Court decision say that the city of Philadelphia, out of general revenues, some way, somehow, is furnishing \$25 million to that airport and that as long as the head tax doesn't amount to more than \$25 million, they collect? Isn't that what the Supreme Court decision says?

Mr. BARNUM. That is the way I read it, sir.

Mr. KUYKENDALL. So they can divert all the \$25 million that they are now taking out of general revenue into other purposes, as long as they don't collect more than \$25 million for the head tax.

So you are robbing Peter to pay Paul.

Mr. BARNUM. That is the way I read it.

Mr. DINGELL. What you are doing, if the gentleman will yield, is robbing the passenger to pay the general taxpayer.

Mr. KUYKENDALL. A double diversion, is what it amounts to.

Mr. BARNUM. The Supreme Court's decision says that the Court regards it as settled that "a charge designed only to make the user of State-provided facilities pay a reasonable charge to help defray the costs of their construction and maintenance may constitutionally be imposed on interstate and domestic users alike."

Whether 100 percent is reasonable, of course, would be the subject to another court decision, I think.

Mr. KROGH. I might also say, too, Mr. Kuykendall, that this discussion supports the idea that a moratorium is appropriate to study the effects of a head tax, to study this court decision, and if necessary, to narrow the effect of head taxes or their purposes. We supported it last year and would support it again this year.

Mr. KUYKENDALL. I can't quite understand why you would not accept a nonrevenue 25-percent discretionary increase during the period of your moratorium. In other words, that would give you authority to bail out somebody that is really in trouble.

Now, maybe you should get an answer to that one.

Mr. KROGH. I will, for the record. Yes, sir.

[The following statement was received for the record:]

DOT POSITION RE INCREASED FEDERAL SHARE IN ADAP

Your question seeks a Departmental position on only two of the several issues which we would examine in arriving at a position on an ADAP bill. While we prefer to reserve expression of a DOT position for specific bills, I would point out that we think an increase in the Federal share in ADAP for small and medium airports is not warranted. If there is to be an increase, we would prefer that it be discretionary, rather than mandatory. Also, as expressed in my testimony, we oppose coupling an increase in the Federal share with a rise above \$280 million in the annual authorization level for ADAP grants. While we would support a "head tax" moratorium, we do not foresee its creating a need for an increased Federal share for small and medium airports.

Mr. JARMAN. Have you concluded, Mr. Metcalfe?

Mr. METCALFE. I have concluded mine. I just kept the floor so that we could stay on that subject. But I have no further questions, Mr. Chairman.

Mr. JARMAN. In order to move the hearing, let the Chair now recognize Mr. Dingell.

Mr. DINGELL. You indicated you would support a moratorium. You have also indicated to this committee that the statement you have submitted to us is the official position of the Department and the administration. But I find nothing in your statement, which I have read several times and listened to with care, that says you would support a moratorium on head taxes.

Mr. KROGH. That is our position.

Mr. DINGELL. Is that an official position, or an official unofficial position?

Mr. KROGH. For the record, it is an official position that we would support a moratorium.

Mr. DINGELL. All right.

I am appalled to see this statement in your testimony that says, "We believe it is not appropriate to prohibit head taxes." Are you aware that in the State of Michigan they propose to levy a tax on travelers going in and out of the metropolitan airports for airport construction throughout the State?

Mr. KROGH. No, sir; I am not aware of that.

Mr. DINGELL. Well, that is what they propose to do. What do you think of that? Is that an appropriate practice by the State of Michigan?

Mr. KROGH. It may well be to the State of Michigan an appropriate practice.

Mr. DINGELL. Suppose we look at it from the viewpoint of the traveler.

Mr. KROGH. That may well be an undue burden; yes, sir.

Mr. DINGELL. All right. Let's go back here.

During the previous session in the hearings, we had Mr. Moak here from Philadelphia. And I must confess he did a very fine job of alienating the entire committee.

In final conclusion to the testimony, it came out that Philadelphia was going to make a \$1.3 million profit on the head tax.

Is that fair or not? And does that modify your comments on page 7 of your statement?

Mr. KROGH. Again, it depends on how you define fairness and profit and how it is going to be used.

Mr. DINGELL. Well, is it fair?

Mr. KROGH. Fair from the perspective solely of airport development, or airport construction costs?

Mr. DINGELL. Let's talk about the passenger. He is the poor devil who is paying the freight. Is it fair from his viewpoint that Philadelphia make a \$1.3 million profit?

Mr. KROGH. That is a very difficult question to answer in terms of fairness. From his point of view it may well be a nuisance.

Mr. DINGELL. It is not only a nuisance. He is getting skinned.

Mr. KROGH. That is a nuisance at times.

Mr. DINGELL. It is more than a nuisance.

Now, I took Mr. Moak across the fires here, and I asked him about it. I said, and I am quoting:

Mr. DINGELL. I would like to discuss something with you now. You have some small operators operating out of your airport. You have one who operates from Philadelphia to Allentown and back. Now, I note the basic fare from Allentown is \$13.89. Federal tax is \$1.11, which goes to the Airport Development Fund. That brings the total fare to \$15. And you notice they have rounded that off to the next higher dollar.

Philadelphia asserts a head tax of \$2. And Allentown asserts a \$1 tax. That brings the total to \$18. So a fare which originally was \$13.89 has risen to \$18 for a trip from Allentown to Philadelphia.

Now, I am curious. Does that kind of thing have the administration's support? And I quote now from your statement: "We believe it is not appropriate to prohibit head taxes."

Mr. KROGH. Well, the prohibition would go across the board to all airports: not applied just to Philadelphia.

Mr. DINGELL. Well, let's talk about Philadelphia since it is a pretty good example.

Mr. KROGH. Well, I think it is an extreme example of the head tax at this point.

Mr. DINGELL. Well, is it? Is that not one of the tests of whether or not a tax is fair in principle? Are you going to say that because it might not skin the fellow that is going to Europe, that is going to pay \$500 for his tax, it is fair to saddle some poor devil that wants to go just from Philadelphia to Allentown?

Mr. KROGH. I think that is one of the questions that we would want to study during a moratorium, as to what would constitute a fair head tax.

Mr. DINGELL. Well, are you prepared to endorse the principle that the situation is so confused that you need to study to find out whether or not this situation is fair or not?

Mr. KROGH. I think it is rather confused right now and that it does justify a study.

Mr. SHOUP. I think last year there was a request for a moratorium also, was there not?

Mr. KROGH. Yes, sir.

Mr. SHOUP. Actually, you have had 1 year for a request for a moratorium.

Mr. KROGH. There has been no moratorium.

Mr. SHOUP. But you have had 1 year for a study; am I correct on that?

Mr. KROGH. That was the request last year; yes, sir.

Mr. SHOUP. And you were not denied the right to have a study. Did you study during this year?

Mr. KROGH. Yes; a study has been under way.

Mr. SHOUP. How much longer are you asking it to be?

Mr. PACE. FAA will conclude a study within the next 60 days on the head taxes.

Mr. DINGELL. Isn't this part of the two studies that you have been alluding to earlier?

Mr. PACE. No; it is not; they were separate studies. The head taxes were not at issue. When the airport-airways legislation was passed 2 years ago, they called for a cost allocation study.

Mr. DINGELL. Let's come back to this question of fairness. A fare that has been raised, through an assortment of Federal taxes, head taxes, and airport and airway development taxes, from \$13.89 to \$18— is that a fair tax structure?

Mr. KROGH. Well, again, I think it is very difficult for me to respond specifically in that case. It may well be from the perspective of Philadelphia.

Mr. DINGELL. Are you prepared to sit there and make the bald statement that that is a fair tax?

Mr. KROGH. No, but I am not prepared to sit here and say that is an unfair tax at this point either, Mr. Dingell.

Mr. DINGELL. Mr. Moak says it is 100 miles. We are taxing him \$4 for a hundred-mile trip, maybe \$5. Is that fair?

Mr. KROGH. I will say it seems high.

Mr. DINGELL. That is what has this committee outraged, because these things are springing up like mushrooms after a rain. To me they are most obviously unfair, particularly in view of the fact that there is a surplus in the Airport and Airways Development Fund right at this minute.

Mr. KROGH. Not at this point, Mr. Dingell. I was just getting back to the question we had with Mr. Kuykendall. But we do not have the surplus at the end of fiscal year 1973. The surplus would be available at the end of fiscal year 1974, but not this year.

Mr. DINGELL. I think it is very unfair, and I think you gentlemen at DOT are subject to proper criticism by the taxpayers of this country for not being better prepared to oppose this kind of outrageous tax situation. I think it is just scandalous.

Thank you, Mr. Chairman.

Mr. JARMAN. Are there further additional questions?

Mr. KUYKENDALL. I can't get it now, but I would like to have these exact figures. I would like to see for fiscal year 1973 the income of the trust fund and the actual expenditures, not obligations. I want dollars spent.

Mr. KROGH. Outlays.

Mr. KUYKENDALL. I want income projected for fiscal year 1974, and I want expenditures, not obligations.

Thank you.

[The following information was received for the record:]

PROJECTED INCOME OF AIRPORT AND AIRWAY TRUST FUND AND EXPENDITURES
FOR FISCAL YEARS 1973 AND 1974

For fiscal year 1973 (estimated) :

	<i>Millions</i>
Cash income (including proposed supplemental payment from general fund)	\$844.4
Cash expenditures	566.6
For fiscal year 1974 (estimated)	
Cash income	851
Cash expenditures	563

For a complete picture of the status of the trust fund, see attached Document "A".

DOCUMENT "A"
AIRPORT AND AIRWAY TRUST FUND—DEVELOPMENT OF UNCOMMITTED BALANCE

[In thousands of dollars]

	1972 actual	1973 estimate	1974 estimate
Unexpended cash balance at start of year	896,509	1,058,347	1,336,128
Cash income:			
Income from taxes ¹	648,652	771,000	851,000
Federal payment to trust fund	646,882	73,397	
General fund appropriation transferred in	255,455		
Total, income	1,550,989	844,397	851,000
Cash outgo:			
Operations	1,000,464	73,150	12,003
Grants-in-aid airports	105,483	220,000	234,000
Facilities and equipment	224,059	221,200	252,000
Research, engineering, and development	58,460	51,110	65,000
Aviation Advisory Commission	685	1,156	
Total, outgo	1,389,151	566,616	563,003
Unexpended cash balance end-of-year	1,058,347	1,336,128	1,624,125
Less portion of balance which has been appropriated but not yet expended	-831,094	-748,128	-708,125
Less portion of balance needed to provide future liquidating cash appropriations for outstanding airport grants under contract authority	-298,000	-478,000	-558,000
Less additional reservation of liquidating cash under Public Law 92-174 for years in which airport grants not made at minimum level specified in Airport/Airway Act		-110,000	-110,000
Uncommitted surplus (+) or overcommitted status (-)	-70,747	0	+248,000

¹ See page 700 of "Appendix to the Budget—Fiscal Year 1974" for detail.

Mr. JARMAN. Any additional questions?

Gentlemen, we appreciate your being with us.

Mr. Secretary, we will want to stay in close touch with you on this, and we will need the information that has been requested.

Mr. KROGH. Yes, sir.

[The following table was subsequently submitted for the record by the committee:]

STATUS OF THE AIRPORT AND AIRWAY TRUST FUND—1972 ACTUAL, 1973 AND 1974 ESTIMATE

The Airport and Airway Development Act of 1970 (Public Law 91-258, 84 Stat. 219), provides for the transfer of revenue from the general fund to the Airport and Airway Trust Fund. This revenue is derived from the aviation fuel tax and certain other taxes paid by airport and airway users. The Secretary of the Treasury estimates the amounts to be so transferred. In turn, annual appropriations are authorized from this fund to meet expenditures for Federal-aid airports and airways.

The status of the fund is as follows:

[In thousands of dollars]

	1972 actual	1973 estimate	1974 estimate
Unexpended balance brought forward: Balance of fund at start of year....	896,509	1,058,457	1,336,128
Cash income during the year:			
Government receipts:			
From excise taxes:			
Passenger ticket tax.....	517,650	621,000	697,000
Waybill tax.....	26,832	36,000	39,000
Fuel tax.....	37,801	44,000	44,000
International passenger tax.....	44,477	50,000	52,000
Aircraft use tax.....	20,091	19,000	19,000
Aircraft tires and tubes tax.....	3,300	2,000	1,000
Refunds of taxes.....	-1,499	-1,000	-1,000
Intrabudgetary transactions:			
Federal payment from general fund.....	646,882	48,728
Federal payment from general fund (proposed supplemental).....	24,669
Unexpended balances of general fund appropriations.....	255,455
Total annual income.....	1,550,989	844,397	851,000
Cash outgo during the year:			
Federal Aviation Administration:			
Operations.....	1,000,464	73,150	12,003
Grants-in-aid for airports.....	105,483	220,000	234,000
Facilities and equipment.....	224,059	221,200	252,000
Research, engineering, and development.....	58,460	51,110	65,000
Aviation Advisory Commission.....	685	1,156
Total annual outgo.....	1,389,151	566,616	563,003
Unexpended balance carried forward: Balance of fund at end of year.....	1,058,347	1,336,128	1,624,125

Source: Official U.S. Budget for fiscal year 1974, appendix p. 709.

Mr. JARMAN. Our next and concluding witness this morning is the new Chairman of the Civil Aeronautics Board, Hon. Robert D. Timm.

It is a pleasure to welcome the chairman for his first appearance at our subcommittee hearings.

We look forward to working with you during your tenure.

STATEMENT OF HON. ROBERT D. TIMM, CHAIRMAN, CIVIL AERONAUTICS BOARD; ACCOMPANIED BY R. TENNEY JOHNSON, GENERAL COUNSEL

Mr. TIMM. Thank you, Mr. Chairman.

Mr. JARMAN. For the record, Mr. Chairman, would you introduce your associate, and then continue in your own fashion?

Mr. TIMM. Mr. Chairman, I would like to introduce the General Counsel of the Civil Aeronautics Board, Mr. R. Tenney Johnson.

Mr. Chairman and members of the committee, the Civil Aeronautics Board appreciates the opportunity to present its views on the bills being considered by your subcommittee. All of the bills would prohibit State and local governments from levying "head" taxes or other use taxes on the carriage of persons in air transportation. In addition, the bills would provide for increased Federal financial assistance, in varying forms and amounts, for airport development under the Airport and Airway Development Act of 1970.

The "head" tax provisions are in response to the situation brought about by the Supreme Court's decision of last April on the *Evansville* case. This decision opened the way for the imposition of local taxes directly on airline passengers. According to data developed by the Air Transport Association of America, approximately 40 jurisdictions have imposed passenger charges ranging from \$1 up, as of March 9.

Last June, the Board appeared before your subcommittee and presented its views on legislation which would have prohibited the levying of such head taxes by State or local governments. We expressed our deep concern about these taxes from the standpoint of the national air transportation system. Local taxation of airline passengers would vary from jurisdiction to jurisdiction. Passengers shifting from plane to plane on a connecting journey might have to pay the tax each time they enplaned. Taxes imposed as a flat amount would distort the fare structure, hiking short haul prices much more steeply than long haul prices.

In addition, the new taxes would undoubtedly impose an expensive administrative and procedural burden on the air carriers, which ultimately would have to be paid for by the passengers.

The justification for such taxes is to have the users of the airport facilities pay for the benefit of those facilities. But a passenger is already paying 8 percent of his ticket as a Federal tax to help construct airports and provide improvements in safety. On international flights, he pays a \$3 Federal emplanement charge. Furthermore, a portion of the ticket price reflects the cost of airport facility rental charges, State and local taxes of various kinds, and landing fees at airports. The landing fees imposed on the Nation's airlines rose substantially between 1965 and 1970, and are continuing to rise, with

inevitable effects on fares. In other words, airline passengers are already paying a major share of airport costs, even without local head taxes.

In our statement last June, we said that airport financing was complex, and that it was difficult to fix the "fair share" to be paid by passengers and communities for the benefits which they derived from having an airport. Limiting the power of States and local governments to tax users of airports could have an impact on whether to adjust the Federal share under the Airport and Airway Development Act or to increase the Federal tax and earmark the increase for local airport costs.

These problems needed to be sorted out. In these circumstances, the Board recommended that the Congress impose a moratorium of a year or 18 months on the collection of head taxes in order that the complex question of airport financing, including the appropriate role for local taxation, might be studied in the depth necessary for a sound decision.

The Board adheres to this recommendation. We are pleased that this subcommittee accepted the board's recommendation last year. We note that this year the Department of Transportation, in a letter dated January 23 to the Senate Commerce Committee, stated that the administration opposed an outright prohibition of head taxes at this time. However, the Department added that it had agreed last year that a temporary moratorium on such taxes, such as contained in the House legislation of last year, would be acceptable pending a comprehensive study as the impact of such taxes.

When your subcommittee recommended last year that an 18-month moratorium be imposed on the collection of State or local charges on passengers in air transportation, it assigned to the Board the responsibility for conducting a study as to the impact of such taxes on air transportation. While we deeply appreciate this expression of confidence, we recommend that such a study be conducted by agencies of the Department of Transportation, primarily because of the close relationship between local taxation of airline passengers and airport financing. We would be pleased to make a substantial contribution. However, the airport financing question is not one which falls within the Board's statutory responsibilities, and if the Board had the primary responsibility we would have to develop an expertise which we do not now possess and which would duplicate expertise the Department now has.

It is for this same reason that the Board expresses no views on the provisions of the bills that would increase the Federal share under the Airport and Airway Development Act.

For the subcommittee's information, a table is attached to my prepared statement which shows the revenue passenger enplanements in fiscal year 1971 at cities presently levying airport head taxes.

Thank you, Mr. Chairman.

[The table referred to follows:]

NUMBER OF DOMESTIC REVENUE PASSENGER ENPLANEMENTS IN FISCAL YEAR 1971 AT CITIES PRESENTLY LEVYING AIRPORT HEAD TAXES

City and State	Total	Scheduled	Nonscheduled
Huntsville, Ala.....	213,256	212,396	860
Tucson, Ariz.....	448,680	447,362	1,318
El Dorado/Camden, Ark.....	6,913	6,883	30
Lake Tahoe, Calif.....	3,294	3,294	0
Fort Myers, Fla.....	82,981	82,981	0
Melbourne, Fla.....	107,718	107,718	0
Pensacola, Fla.....	168,225	168,047	178
Sarasota/Bradenton, Fla.....	172,713	172,619	94
West Palm Beach/Palm Beach, Fla.....	370,075	369,653	422
Evansville, Ind.....	161,900	161,768	132
Fort Wayne, Ind.....	153,181	152,788	393
Cedar Rapids, Iowa.....	157,066	155,653	1,413
Oes Moines, Iowa.....	403,413	399,313	4,100
Lafayette, La.....	62,613	62,439	174
Hancock/Houghton, Mich.....	13,453	13,405	48
Kalamazoo/Battle Creek, Mich.....	91,339	91,211	128
Saginaw/Bay City/Midland, Mich.....	139,827	139,468	359
Traverse City, Mich.....	44,820	44,774	46
Ouluth, Minn.....	108,048	107,487	561
Rochester, Minn.....	100,670	100,601	69
Jackson, Miss.....	270,180	268,223	1,957
Keene, N.H.....	5,651	5,651	0
Manchester/Concord, N.H.....	17,071	17,041	30
Lebanon/White River Junction, N.H.....	5,175	5,175	0
Rochester, N.Y.....	653,242	650,496	2,746
Asheville, N.C.....	120,610	120,458	152
Raleigh/Durham, N.C.....	500,941	499,171	1,770
Eugene, Oreg.....	52,703	51,980	723
Medford, Oreg.....	39,320	39,288	32
Allentown/Bethlehem/Easton, Pa.....	135,789	135,568	221
Philadelphia, Pa.....	3,028,222	3,012,883	15,339
Williamsport, Pa.....	42,629	42,629	0
Bradford, Pa.....	26,050	26,050	0
Chattanooga, Tenn.....	198,893	197,059	1,834
Tyler, Tex.....	10,484	10,374	110
Newport News/Hampton, Va.....	186,615	186,385	230
Norfolk/Virginia Beach/Portsmouth, Va.....	604,364	602,565	1,799
Richmond, Va.....	353,686	351,831	1,855
Roanoke, Va.....	263,649	258,589	5,060
La Crosse, Wis.....	27,049	26,753	296
Madison, Wis.....	193,442	191,767	1,675
Head tax total.....	9,745,950	9,699,796	46,154
Total for 50 States.....	166,412,000	164,459,000	1,953,000
Head tax enplanements as percent of total enplanements.....	5.9	5.9	2.4

Mr. JARMAN. Mr. Adams.

Mr. ADAMS. Mr. Timm, it is very nice to have you here. Having come from the State of Washington, we welcome you to Washington, D.C., and your new position as Chairman of the Board.

I gather from your statement that CAB is taking the position that they are going to let the Department of Transportation run this. Is that what you are saying to us?

Mr. TIMM. We are being consistent. This was our position last year and we remain of the same opinion.

Mr. ADAMS. I remember it last year, and the thing that is bothering me is that we have had, because of the veto, no moratorium. What we feared is happening. During the hearings last year, I asked Judge Gilliland—"and this is the problem that the CAB faces—in collecting these head taxes wouldn't it affect the subsidies, particularly those of the small carriers?"

Mr. Gilliland said:

That is true.

Mr. ADAMS. So that, with a smaller carrier or particularly a local carrier that may be under subsidy with shorter route, still having the same volume of passengers, their loss ratio or their expense ratio per dollar earned will substantially increase over that of the longer-haul carriers, will it not?

Mr. GILLILLAND. Very much so.

Mr. ADAMS. And those are the areas that we presently have to allocate subsidies to, are they not?

Mr. GILLILLAND. That is true.

Mr. ADAMS. So, aren't we kind of involved with the Federal Government taking money out of one pocket and, in effect, giving it indirectly to the States or counties as they collect their head tax?

In other words, as they collect a head tax and as the cost is going on to these various passengers and we are still paying a subsidy—to the local carriers in the fare structure—doesn't the imposition of head tax simply mean that we are jimmying with the overall fare structure, which is under your jurisdiction?

Mr. TIMM. That is true to some degree.

Mr. ADAMS. Now, the last time you supported a moratorium. But the reason for a moratorium—was to see whether more States or cities were going to impose a head tax.

As I understand it, those cities have risen from 6 to either 41 or 44. Don't you believe we have passed beyond the moratorium question now?

In other words, we have already got the disease, have we not?

Mr. TIMM. A moratorium was accepted by your committee last time—a position we favored. We are maintaining a position that you could accept this time; and a position we continue to support.

Mr. ADAMS. Well, was not the problem, though, at that point that we felt that a moratorium would stop the imposition of head taxes, so that we would not have them happening while we took a look at the problem?

Now that increase in head taxes has already happened, has it not? And because of the veto of the bill, we in the committee are in a much different position now than we were when this was being heard.

Let's see. That was in June of 1972. It is almost a year later now.

Mr. TIMM. I guess where we may differ very slightly is where we believed that a moratorium would call a halt to head taxes and allow the study to continue on their effect. A moratorium will stop them and allow a study to be completed before they proliferate even further.

Mr. ADAMS. Would you roll back those that have already been imposed?

Mr. TIMM. That is not specifically addressed in our proposal.

Mr. ADAMS. Well, whatever the opinion of the CAB is. Again, I know that you are new in this and I do not want to mislead you so that you make some statement in what is a very difficult matter for us.

In June of last year we had a very recent Supreme Court decision that said a head tax could be levied. So this committee moved on it very promptly; so did the Senate—before people started to put these in—to say, "Let's freeze the matter and have it looked at."

And we asked your predecessors: What was the effect on the fare structure? And their answer was the same as yours is: It is going to have an effect on it, and we should have a moratorium.

So we rolled on the moratorium in this subcommittee to wipe them all out.

Now, what I am asking you is this: Now—a year later—we still don't have the study. Why, I don't know, but we don't have any study. We have gone from 6 to 44 head taxes, and there is every reason to believe more will occur.

So I have two questions for you: One, should we roll them back and take them away from the people that already have them, as we did before? And second, do you think we ought to continue standing around with our fingers in our ears waiting until something more happens?

In other words, haven't we had a demonstration?

Mr. TIMM. That is an excellent question. I misunderstood your question of me. I thought you might be suggesting that CAB could roll them back.

Mr. ADAMS. No, I don't think the CAB has jurisdiction without our giving you statutory authority.

Mr. TIMM. My response to the first question would be that I am not sure that our offices can do more than we have in our statement in urging you to act.

The second question: I agree that they have proliferated, and there has been a demonstration. We are aware of the impact on the system and on the passengers, the public.

Mr. ADAMS. My final question: Can you give me any opinion or maybe your counsel would like to? You are the regulatory agency, in effect, the arm of Congress that has this authority over rates, routes, and so on. What is your advice to us about what to do about the head tax? You are our person out in the field running this.

By "our person," I mean the congressional person. We know the administration's position now, but it is my understanding that you are not the administration. You are an independent board and you are our arm. What do you think we should be doing?

Mr. TIMM. May I have Mr. Johnson respond, inasmuch as he did sit in on the hearings last year, with Judge Gilliland.

Mr. ADAMS. Certainly.

Mr. JOHNSON. Mr. Adams, I would think if the committee decides to impose a moratorium that it would desire that taxes be rolled back to where they were before the Supreme Court made its decision. Otherwise there would be very unfair advantages to certain localities as opposed to others.

Mr. ADAMS. In other words, you would go back to those that the Supreme Court ruled on, but strike down all of those that proliferated after that date?

Mr. JOHNSON. Yes, sir. Doing that would be fair to all concerned. There are some communities that have held back from imposing head taxes, probably to see what was going to happen with regard to legislation, and partly at the urging of carriers—when the carriers were negotiating with the carriers for changes in landing fees.

So that if you were to permit the taxes currently in effect to remain in effect during any moratorium, it really would be unfair to some of those cities that had waited in good faith, let's say.

So I would recommend, and I believe there is no question of the power of Congress to bring it about, a rollback of the current taxes.

Mr. JARMAN. Mr. Kuykendall.

Mr. KUYKENDALL. It is good to have you here for your first visit, Mr. Trimm and Mr. Counsellor.

Mr. Dingell was reading from the record of last year the rate fiasco between Philadelphia and Allentown. There might be some opinion on that particular case. I don't agree with it all, but there might be some opinion that says, "Well, that is intrastate."

Chattanooga, Tenn. over Atlanta, is certainly interstate commerce and the interstate tax there is \$1.41. They have just added a dollar head tax, which as best I can see, is about a 60 percent increase in taxes there.

Mr. DINGELL. Would the gentleman yield? That dollar head tax is rounded off to the next higher dollar so it is \$2 instead of \$1.41.

Mr. KUYKENDALL. No, the \$1.41 is the present tax. That is on the ticket. That is what is listed on the ticket now as the tax.

The head tax will add a dollar, which is roughly 60 percent increase in taxes. And then the one that you are being hit for right now would be another 55 to 60 percent increase in taxes.

I know you are not supposed to react, but maybe it is better that you do for a while. How do you react to being the end of this chain, telling the airport operator: you put in a cost and then recover it. I can't tell the guy you are supposed to recover it from that you have to get it. I can't mandate him.

But the next guy, namely the airline—I will tell him, "Now, you recover it. You are going to have to recover it from the passengers." But there is an agency sitting between me and the passenger and I am the FAA, over whom I have no control, and that is the CAB.

So you are being dangled out here, after having two agencies being told, "Now, you recover from the costs." But the old bad man, the CAB, is sitting here on the hot seat and being told, "Now, you act responsibly, but I have already committed you."

Do you like that warm seat?

Mr. TIMM. Mr. Kuykendall, I have been sitting on a regulatory body for the last 7 years.

Mr. KUYKENDALL. Which one?

Mr. TIMM. This one for 2 years, and the State of Washington Utilities Commission. So the temperature of the seat has not changed much.

Mr. KUYKENDALL. But the idea of having someone else obligate you—isn't that bad business?

Mr. TIMM. It is our function as prescribed by Congress. It is our function and our responsibility.

Mr. KUYKENDALL. Well, let's say that the airline decides to put a different type fuel in, and they make a unilateral decision to do that. And then the other airlines find that competitively they are forced to include a rate increase. And they come to you and show you that the airline is run better and more efficiently, that the service is better, with all the conditions that would be prerequisite to a fare increase.

And you listen to it but you surely don't have to go, based on a governmental order, do you? You decide the merits of the case, pro or con, based on a business decision made by the airlines. Correct?

Mr. TIMM. Correct.

Mr. KUYKENDALL. No one disapproves of that system. And I am sure you have turned down some.

Mr. TIMM. Yes, sir.

Mr. KUYKENDALL. How do you go about turning down a fare increase that is passed on to you by the Government, by your own Government, other than by just blatantly saying, "No."

Mr. TIMM. I might have my general counsel respond to that specifically. But I might say that the term "fare increase" would be where we would differ on what we were being asked to do now.

Mr. KUYKENDALL. Where is it going to go? Is it going to go under taxes or under fare or are you going to put it on a third place on the ticket? Are you going to put "miscellaneous" on the ticket?

Mr. JOHNSON. It might be a printed specific number on the ticket that would be a security surcharge.

The problem for the Board is not whether these additional duties should be imposed or not. That has been decided by another agency of Government. The fact is that the carriers are experiencing these costs. And if the Board should disapprove fare increases on the ground that philosophically there is disagreement, the carriers would still be experiencing costs and, in effect, holding the bag that has been placed in their hands.

The question for the Board from a legal standpoint is whether to let them hold that bag consistent with the Board's charge to foster sound economic conditions in the industry.

So the Board really has very little choice in the matter, if these requirements are going to be improved, if the Congress is going to permit them to be part of the system. But the Board's duty is to make sure that there is no disguised fare increase in the security surcharge, that the carriers are not getting more than they are giving back in service.

Actually, the carriers are giving the passengers service, because there is an additional assurance of safety against hijacking.

Mr. KUYKENDALL. There is no argument about this. I think you have just got through answering the question in a few too many words, because you have told me you did not have any choice. That was my question, I believe.

I don't much like our arm—and that is what we have called you—not having any choice. It makes you just a pro forma operator there. There is really no matter of judgment, no choice, no nothing. And what I feel is that if we are going to go through this charade, why don't we just pass the tax? That is what I have said all along.

If you are going to put a decision to the CAB over which they have absolutely no choice—and I don't think you do either. I think as long as we have the present set-up, after all, the airline hopefully is spending 100 cents on the dollar.

In the case of the double shuffle—the airline operator to the airlines to you to the passenger—that is a quadruple shuffle.

So, my only question was: Does it not put you in a no-choice position to have this kind of thing thrust upon you? You have answered, I believe, by saying, "Yes, it does."

Mr. TIMM. That is correct. I was a little afraid you were going to be asking about specifics, and the matter is pending.

Mr. JARMAN. Mr. Metcalfe?

Mr. METCALFE. I have no questions, Mr. Chairman.

Mr. JARMAN. Mr. Shoup?

Mr. SHOUP. It seemed to me that the thrust of the questioning of Mr. Adams and Mr. Kuykendall maybe points up one of your statements here, where you were saying you have no expertise, Mr. Chairman, in these matters that are before us, and therefore you would leave it in the hands of others.

And I think Mr. Kuykendall brought out the fact that you should have some expertise, because ultimately, if the proposal goes through as it is being proposed by the administration, you are going to handle it in the end. So I think you should have some expertise in this.

And I would ask you: Do you feel before such a decision as this is made you should be included in the decisionmaking?

Mr. TIMM. I would say probably not. We are an independent agency and therefore not a part of that process.

I would call to your attention that the word "expertise" was used in a relationship of taxation of airline passengers to airport financing, where we do not have specific expertise.

But on the cost side, on the economic side, we would have a great deal of expertise, probably more than anyplace else in government.

Mr. SHOUP. I would agree with you, but I think one of your functions is to make sure that the traveling public have satisfactory service. Basically this is what your function is, is it not?

Mr. TIMM. Yes, sir.

Mr. SHOUP. And at a fair rate both as to the traveling public and those providing the service.

It would seem that any recommendation for an increase in fare is going to affect both the airline and the traveling public, the service offered, and it does have a great effect on your operation.

It is for this reason, I think, that you should be consulted on this, because you do have that expertise in an area in which the Department of Transportation does not have.

Then my direct question is: Have you been consulted by the Department of Transportation on their recommendation as presented here?

Mr. TIMM. No. We referred to a letter of January 23, which we indicated was just that, a letter stating their position.

Mr. SHOUP. Without requesting any assistance from you or without considering any impact it may have on total service to this country as far as air goes.

Mr. TIMM. That is correct.

Mr. JARMAN. Mr. Timm, I have this question: As we understand it, there was \$46 million, and the administration has stated they are going to support the carriers in a fare increase to pay for security. It makes quite a bit of difference in that case, does it not, whether or not we pay for security costs out of the presently existing fund that is in the airport development fund, or whether it is going to have to be paid by the carriers?

Mr. JOHNSON. Let me answer that one. At this point there is no question that if the airport security charge were financed out of the trust fund there would be no increase in price to the passenger, and hence no impact on the passenger from the standpoint of deciding whether to take the service.

Mr. DINGELL. There would be no impact on the carrier, too.

Mr. JOHNSON. That is correct.

Mr. DINGELL. If our chairman will yield, does it not occur to you that you ought to defer a little bit and find out what Congress is going to do on this question before you come to a final decision on this particular case?

Mr. JOHNSON. I know that particular fact is on the Board's mind, Mr. Dingell.

Mr. DINGELL. You have got yourself in a situation where we may fund these security costs out of trust fund revenues, as opposed to funding them out of carrier revenues or other charges that would be asserted against the passengers.

Mr. JOHNSON. Well, you see, that is one reason why the Board adopted the position that these costs, at least at this time, are not normal business expenses. Because this whole matter was before the Congress and the Congress might, indeed, work its will to effect another means of financing the security charges. And if so, it would be an easy matter to remove any surcharge that might have been placed in the meantime.

But it is true that during the time of congressional consideration, the carriers are experiencing a substantial increase in costs.

Mr. DINGELL. We have the problem of fairness to the carrier, but we also have the ultimate problem of fairness to the passenger. And the possible problem of unjust enrichment, frankly, to the carrier.

Mr. JOHNSON. Yes, sir.

Mr. DINGELL. Or perhaps creating a situation where the Congress might not be able to fully work its will, because you good gentlemen, who are a creature of the Congress, would have acted in a fashion inconsistent to the Congress, and made perhaps the ultimate result of the congressional action to be unfair for one reason or another.

I think these are some things that you ought to very well bear in your mind as you go forward in consideration of them. And I would not look in kindness on you if you do not.

Mr. SHOUP. I am wondering if the chairman can give some indication here as to the timetable on which we are going to move on this.

Mr. DINGELL. That is up to others than myself, I assure you.

Mr. ADAMS. I want to follow through on this, because I think this committee needs from the Board some type of analysis as to the impact of both security costs and the head tax on the economic operations of the carriers, which is your field of jurisdiction.

We do not know, for example, about local carrier—and the reason I refer to them is because the Government is subsidizing them under a separate program, which you administer. If they are flying into small cities, and the more local areas, and if the surcharge is a flat one, and it does not cover their costs, then you are going to have to either allow them additional fare increases or recommend an increase in subsidy to them, are you not?

Mr. JOHNSON. That is correct.

Mr. ADAMS. So we need to know whether or not this proposal of rolling everything back to the local level and using local law enforcement people, not tapping into the present trust fund but, in effect, putting on a surcharge—we need to know the economic impact of that on the 531 airports and on the carriers involved.

And I want to know: Can you supply us with that in any kind of a reasonable time frame?

Mr. TIMM. If you have noted some hesitancy on my part to speak on that—

Mr. ADAMS. I appreciate your capacity, and I am not trying to influence your decision one way or the other as to how you decide that. But we need to know; we have the two bills pending before the subcommittee on security expenses and on this surcharge and this head tax. We need to know whether we, for example, should pay for expenses out of the trust fund and just leave you in your present status with your present fare system, or if we are really going to have in effect, if we go along with the administration's program, to change the fare structure, the local financing system, and to leave the head taxes in there.

Mr. TIMM. Mr. Chairman, I think; because of the pendency of the item that we are discussing, at least a portion of it is so imminent that we will soon be able to provide you with a great deal of material. We have a little bit in our index here.

Mr. SHOUR. You mean in your testimony?

Mr. TIMM. Yes. This has been a matter for the last couple of months of deep study and, more than study, calculation, by our Bureau of Economics. So they have developed a great deal of material.

As soon as the case is to the stage of decision, I think it would be available to everyone.

Mr. JARMAN. Thank you, Mr. Timm.

The subcommittee will stand adjourned until 10 o'clock tomorrow morning, when these hearings will be continued.

[Whereupon, at 1205 p.m. the hearing was adjourned, to reconvene at 10 a.m. on Thursday, March 15, 1973.]

AIRPORT DEVELOPMENT ACCELERATION ACT OF 1973

THURSDAY, MARCH 15, 1973

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2322 Rayburn House Office Building. Hon. John Jarman (chairman) presiding.

Mr. JARMAN. The subcommittee will please be in order.

As we continue the hearings on bills that have been introduced to amend the Airport and Airway Development Act of 1970, to increase the U.S. share of allowable project costs under the act, to amend the Federal Aviation Act of 1958, to prohibit certain State taxation of persons in air commerce, our first witness this morning is our colleague from the State of Florida, the Honorable James A. Haley.

Welcome sir, please be seated.

STATEMENT OF HON. JAMES A. HALEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. HALEY. Mr. Chairman and members of the subcommittee, I respectfully request that in any legislation concerning the abolition of airport head taxes this subcommittee permit the Sarasota-Manatee Airport Authority in my congressional district to continue collecting a head tax at its facility until December 31, 1973.

I believe that this airport is in a truly unique situation which warrants consideration by the Congress. This airport authority, which has no other taxing powers and which collects its head tax without the assistance of the air carriers, imposed a head tax on July 1, 1972. Previously, the authority borrowed \$350,000 for acquisition of a clear zone and an instrument landing system as required by the Federal Aviation Administration (FAA) using prospective head tax revenues as security. So far, \$156,608 has been collected through the head tax and by July 1, 1973, it is expected that \$200,000 will have been collected. Therefore, in order to repay the authority's outstanding loan, we would like to have the time the authority can collect its head tax extended until December 31, 1973, at which time they believe the \$350,000 debt can be fully satisfied.

As you know, because of the special circumstances associated with this airport, the conference committee which met in the 92d Congress on head tax legislation retained language in the bill eventually passed

by the Congress to exempt the Sarasota-Manatee Airport from any moratorium on the collection of head taxes. In section 113(c) of S. 38, the Senate would permit the airport authority to continue collecting a head tax until July 1, 1973. We are asking that this subcommittee amend the Senate's bill to extend this time limit by 6 months so that the authority can meet its contractual obligation incurred in order to comply with FAA requirements. I will sincerely appreciate your favorable consideration of my request for assistance in this matter.

Mr. JARMAN. Thank you, Mr. Haley, the subcommittee appreciates your views on this legislation.

Mr. HALEY. Thank you, Mr. Chairman, it has been a pleasure.

Mr. JARMAN. Next I wish to welcome our distinguished colleague from West Virginia, the Honorable Robert H. Mollohan. Please be seated, sir.

STATEMENT OF HON. ROBERT H. MOLLOHAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. MOLLOHAN. Mr. Chairman, one of the measures being considered before this committee today, H.R. 4082, recognizes the obligation of the Federal Government to provide increased financial support for the development of airports located in the smaller cities throughout the country.

Commercial air transportation is rapidly becoming the lifestream of economy of this country. The provisions of the bill introduced by the distinguished chairman of the Interstate and Foreign Commerce Committee continues the support of project costs at the major airports throughout the country and increases the Federal share of the cost of projects at airports that enplane less than 1 percent of the total passenger load. I would like to point out that the passenger aviation industry has in recent years had a low profit margin in relation to the growth of other industries. Particularly hard hit have been the "feeder lines," operated by relatively small corporations.

It is these feeder lines that provide the short-haul service which brings the people who live in or near small urban communities to the major airports where they transfer to the long-haul flights for onward travel. These small communities cannot afford to develop, without substantial Federal assistance, the airfield facilities necessary to handle modern, safe, and efficient passenger aircraft. In my view, therefore, it is necessary that we provide that assistance.

I am not as concerned about corporate profits as I am about the deterioration, or more precisely the lack of expansion, of adequate passenger service to the smaller communities. There is an obligation, in my view, to make this kind of service available for several reasons:

There is the matter of equity. It is only equitable that Federal funds which are derived from the public at large should serve all of that public. A very large part of the people in this country live outside the large metropolitan areas. Considering my home State of West Virginia as an example, there are only two cities with a population in excess of 50,000, and only five which fall in the 25,000 to 50,000 range. These few "cities" are located in seven counties out of a total of 55 in the State. They are all in the west central and northern portions.

Needless to say, the industrial activity in the State is concentrated in these same seven counties. This has a twofold impact. It concentrates industrial activity and the resulting industrial pollution to a limited area. It is not my purpose to engage in a cause-and-effect debate, but I would like to point out that the decentralization of industry would provide a beneficial environmental effect; in addition, it would also improve employment opportunities in the less densely populated areas; could logically result in an improved tax base, a more stable economy, and a deterrent to the trend now prevalent toward movement away from the rural areas in favor of the already overburdened urban centers.

No major industry is going to locate in an area where adequate transportation is not available. Those who are already located in an area will not long remain unless the required facilities are kept modernized and available.

The other provisions of the bill which relate to Federal support for the cost of safety and security equipment at airports, and the prohibition of State and local taxation on air travelers also merit strong support. Airports are federally regulated, and to the extent they are so regulated should be federally supported until and if they become reasonably and economically self-supporting.

Mr. JARMAN. Thank you, Mr. Mollohan, for a very thoughtful statement.

Mr. MOLLOHAN. Thank you, Mr. Chairman, for affording me the time to express my views this morning.

Mr. JARMAN. Next we shall hear from our colleague on the full committee, the Honorable William R. Roy, of Kansas.

Welcome, Dr. Roy, please proceed as you see fit.

STATEMENT OF HON. WILLIAM R. ROY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. Roy. Mr. Chairman and members of the subcommittee, I am pleased to testify in support of the Airport Development Acceleration Act of 1973.

I am especially interested in section 5(a)(2) of this legislation. It is very important to the airports in my district, and hence to my constituents who depends on quality air service, that the U.S. share of allowable project costs of any approved airport development project be 75 percent, as authorized under section 5(a)(2).

I wish to call to the attention of the members of the subcommittee the attached letter from the Honorable Lauren L. Nash, park commissioner of the city of Topeka, Kans. In this letter, Commissioner Nash states the need of Topeka very clearly: Without a 75-25 split on matching fund moneys, the Topeka airport would not be able to expand to meet the needs of modern air travelers. It would be a tragedy if Topeka, the capital of Kansas, did not have the facilities to accommodate jet service, particularly in light of developing aviation technologies and the increasing mobility of American citizens.

I therefore request this subcommittee's attention to the needs of small airports and urge the approval of the provision stipulating that the Federal share of airport development project costs be 75 percent.

Thank you.

[The letter referred to follows:]

CITY OF TOPEKA,
DEPARTMENT OF PARKS,
Topeka, Kans., March 13, 1973.

WILLIAM R. ROY,
Member of Congress,
Washington, D.C.

DEAR CONGRESSMAN ROY: I am writing on behalf of the City of Topeka for your support of Senate Bill No. 38. This bill will generate funds making it feasible for the City of Topeka to lengthen their main runway 13-31 to the full 7200 feet.

As you know the City of Topeka is at the turning point of a big expansion of our Airport facility. We have been negotiating with Frontier Air Lines to put Topeka on a jet service basis. We have been assured that Frontier will work towards this, and so it is necessary for us to show faith that we will extend our runways to accommodate the jet service. But, this can only come about having the 75/25 split in ADAPT monies. Our funds at this time are not enough to do the project with 50% matching funds.

I am sure you are quite aware that we in Topeka, as well as all other cities in the State of Kansas and elsewhere, are quite concerned with funding of different projects. I would certainly urge your Committee to support Senate Bill 38 so that we in Topeka can make improvements that would not only keep our economy moving forward but would build a facility that would be adequate for the next 30 to 50 years. Hoping that your committee will approve Senate Bill 38, I remain

Sincerely,

LAUREN L. NASH,
Park Commissioner.

Mr. JARMAN. Thank you, Dr. Roy, your statement and attached letter from Commissioner Nash is appreciated.

Mr. Roy. Thank you, Mr. Chairman.

Mr. JARMAN. Our next witness is an old friend who has appeared a number of times before this subcommittee, Mr. Stuart Tipton, chairman of the Air Transport Association of America.

Mr. Tipton?

STATEMENT OF STUART G. TIPTON, CHAIRMAN, AIR TRANSPORT ASSOCIATION OF AMERICA; ACCOMPANIED BY LEO SEYBOLD, VICE PRESIDENT, FEDERAL AFFAIRS

Mr. TIPTON. Mr. Chairman, I appreciate the opportunity to appear before this committee.

I have a very short statement here so if I may, I will proceed through it.

Mr. JARMAN. That is fine.

Mr. TIPTON. Mr. Chairman, I am Stuart Tipton, chairman of the board of the Air Transport Association, which represents virtually all of the Nation's scheduled air carriers. On their behalf, as well as the millions of people who use the national air transportation system annually, I want to express appreciation for your timely action in holding these hearings, for the issues of head taxes, gross receipts taxes and airport improvements are of critical importance to them. You will recall that I submitted detailed comments on these issues last session and a copy of that statement is attached for your reference.¹

¹ See pp. 65-75, "Air Passenger Fees—State and Local Charges," hearings before the Subcommittee on Transportation and Aeronautics, Interstate and Foreign Commerce Committee, 92d Cong., second sess., serial No. 92-74.

We had hoped that these issues would be resolved by the enactment of the legislation agreed upon by the House-Senate conferees last year. We were disappointed when S. 3755 was vetoed, and frankly puzzled that it was considered in the same category as general revenue measures, since the bill involved only revenues from user charges in the trust fund. The part of the veto message which stressed that airport funds have quadrupled since 1970 was further perplexing, since such an acceleration in airport improvement is what the administration must have had in mind when it promoted special taxes on users to assure such development.

All in all, the veto was quite ironic. The need for such legislation has increased, not diminished over the past months and we urge you to again act to prevent the levying of discriminatory State or local taxes on travelers and air commerce, while providing for necessary improvements to the Nation's airport system.

The airlines believe that it is essential to maintain the national character of the airport and airways system, and that a multiplicity of discriminatory State or local taxes runs counter to this concept. Certainly, such a situation would be contrary to the whole purpose of Congress in creating the airport and airway development program in 1970, providing, in the process, not only a uniform national plan but a national funding mechanism as well.

The trust fund is supported, as you know, by user charges of 8 percent on domestic and \$3 on international flights, among others, and these will yield approximately \$695 million this fiscal year from air travelers. Now, in addition to this, air travelers are being increasingly exposed to State or local head taxes, as a result of the U.S. Supreme Court's April 19, 1972, decision, of which you are well aware.

The airlines continue to believe that it is neither equitable nor necessary to expose air travelers to undue, additional burdens of taxation, and urge you to again report legislation which prohibits State or local head taxes.

When I appeared before you last year on June 19, eight State and local taxes had been enacted. Now there are over forty such taxes and many more States and localities have indicated that they intend to exploit this new source of revenue, some for purposes other than airport improvements. We have been advised that head-tax measures to offset a major portion of a general fund deficit of \$200 million for 1975 are being proposed in another State. A bill requiring the airlines to collect \$5.50 for each deplaning passenger has been introduced as the first step in this effort.

Philadelphia, of course, provides the most extreme example of a head tax which has actually been enacted. Although that city's original \$2 enplaning and \$2 deplaning charge has been changed to a \$3 departure charge, the revenues still are to go into a general fund and are not earmarked for airport improvement. For a Philadelphia to Washington coach passenger, this \$3 charge adds 14 percent to the price of his ticket and since he also pays an 8-percent Federal tax, that means he is paying a total of 22 percent. This particular imposition illustrates the burden such a local tax can place on the air passenger. Certainly this head tax is not only inequitable, but a distortion of the Supreme Court's decision as well. In the latter instance, the courts offer a pos-

sible ultimate avenue of relief, but in the instance where a head tax may be legal, but inequitable and unduly burdensome, the Congress is the air traveler's court of last resort. The U.S. Supreme Court invited your action, as you recall, by concluding in its decision that " * * * at least until Congress chooses to enact a nationwide rule, the power will not be denied to the States." We urge you to take action now, to prohibit this kind of direct and indirect discriminatory taxation of air travelers and air commerce.

Particularly dangerous, burdensome, and discriminatory in our judgment is one State's imposition of a tax on the gross receipts derived from the sale of interstate air transportation—a so-called airlines excise tax. This tax is levied at a rate of 4 percent on airline receipts in that State "for the privilege of engaging in the business of transporting persons or property by air." The revenue derived from this tax is used for projects totally unrelated to aviation. Furthermore, it is levied only on airlines. Airlines pay all other taxes generally applicable to business in the State, and yet they and their passengers are being singled out as an easy source of revenue, whether or not airline operations in the State are profitable, and regardless of their general tax burden. Thus, Pandora's box has been opened to another form of discriminatory taxation on air transportation which, if allowed to proliferate in a myriad of possible forms, could deal a severe financial blow to air travelers as well as the airlines.

I assure you that this is no illusory fear. Already, in another State, legislation has been introduced to levy a 15-percent gross receipts tax on airline passenger ticket sales within the State, in addition to other general business taxes which airlines already pay, and the money is to underwrite general welfare programs, not airport improvements. Although we recognize that the introduction of such a bill is not tantamount to enactment, we do believe it provides a tangible and extreme example of the way in which this form of tax can get out of hand.

If adopted in all 50 States, the projected cost of a 4-percent imposition would be \$92 to \$300 million annually, depending on the formula used, or it could be even higher, of course, if a higher percentage were levied. The \$300 million figure is more than the industry made in 1971 and 1972 combined. Obviously, the airlines could not absorb the cost of such widespread gross receipts taxes as merely another operating cost, and it would have to be reflected in the fare structure. In this event, a 2.5-percent fare increase would have to be borne by air travelers, a step that none of us, I'm sure, wishes to see ultimately when, in fact, it can be avoided.

Let me pause a moment here, to discuss this Ohio gross receipts tax a little further.

We understand, from looking at the roster of witnesses that will be before the committee, that among them will be one of the tax officials of the State of Ohio, and we have no doubt that as he appears he will attempt to justify this very heavy and discriminatory tax on airlines, on the grounds that the airlines do not pay enough taxes to the State of Ohio.

Let me answer in advance by saying this: The airlines pay all the taxes that other business enterprises pay in the State of Ohio. We are

taxed in the same fashion as others. This gross receipts tax is an additional and very special burden imposed by Ohio.

The proceeds of this tax goes to the widows and orphans of firemen and policemen—their pension funds.

As far as we are concerned, we will join with other taxpayers in the State of Ohio to provide for the restoration of that now bankrupt fund to meet this laudable need, but we do not want to be singled out as one industry in that State to provide for this particular State's obligations. That is our point with respect to this particular gross receipts tax.

A more important point, possibly a more basic point, is the discriminatory character of such taxes. Of course, a common characteristic of this tax and the head tax is their discriminatory nature. Either tax, if enacted throughout the country would impose additional financial burdens on air travelers, who are already paying Federal taxes which were established when it was widely assumed that such State and local taxes could not be constitutionally imposed. Both seem to be convenient vehicles for unwarranted taxation of air travelers and air commerce for nonaviation purposes, or for projects which do not necessarily benefit the airports where users are taxed. These taxes can easily be escalated, and if allowed to go unchecked, pose a hazard of disrupting the national system ultimately. The best way to avoid this is to prohibit these taxes again, as you did in the bill which you passed last session. No State or locality which would seek to levy these taxes for nonaviation purposes has a legitimate claim to them. In those cases where communities are relying on head taxes to provide the revenue needed to fund airport improvements, it should not be necessary since, as you recognized last year, the airport program can be adjusted to make the user charge revenues in the trust fund more available to the communities who need assistance.

Last year, as you recall, the airlines stressed the need to make fundamental changes in the airport development air program, not only to offset any revenue loss to communities from prohibition of head tax, but more importantly, to accelerate the capital improvements which will be needed to accommodate the projected needs of 325 million passengers by 1980 and nearly 500 million by 1985. It was also brought out that progress toward this goal has been stifled by the inability of many communities to provide the necessary matching funds for airport grants. So far as we are able to determine, millions of dollars in badly needed projects are being withheld because of this difficulty.

The table inserted in my testimony here, indicates the downward trend in the value of project requests for Federal aid. I will not repeat those figures. The downward trend is obvious and rather striking.

Fiscal year—	Number of projects	Dollar value (millions)
1971	719	\$573.3
1972	516	392.5
1973 (through Mar. 2)	407	166.0

Our observations indicate that much of the fall off in the value of requests for aid is related to the financing of matching funds. Smaller, less expensive projects are being undertaken; major projects are being delayed. The slowness with which airport sponsors are signing grant agreements is a further indication of the matching fund problem. As of January, fiscal year 1973, FAA had allocated funds totaling \$149 million to airport sponsors, however, grant agreements had been completed on only \$59.5 million. Many of the grant agreements that have been consummated recently are for fencing and fire, crash and rescue vehicles for the certification program.

Last year, we expressed the view that the best way to assure sustained development of the Nation's airports was to modify the airport program in the following ways:

First, change the 50-50 percent matching fund ratio for grants for all airports to 90-10 percent, as the Highway Trust Fund has done with the interstate highway system.

Second, make public areas of passenger terminals eligible for Federal funding, since this is the area which will be hardest hit by the burgeoning growth in air travel.

Third, provide funding for the capital costs of the Government-required airport security and certification programs.

The bill which was ultimately passed by the Congress prohibited gross receipts and head taxes, provided 82 percent Federal funding for the security and airport certification program, and established a 75-25 percent matching ratio for airports other than the 22 major hubs.

For the latter, the matching ratio remained at 50-50.

While we were disappointed that the bill did not follow the highway precedent and provide for a 90-10 percent matching ratio for all air carrier airports and did not establish eligibility for the public areas of passenger terminals, we did feel that Congress had tackled and solved the most immediate problems. It was a good bill. However, the President concluded that a provision of the bill which increased the minimum expenditure limit for the airport program from \$280 million to \$350 million was an excessive expenditure for this purpose and vetoed the legislation, explaining his action as follows:

And I quote from the veto message:

This bill would increase Federal expenditures and raise percentage participation in categorical grant programs with specific and limited purposes. I believe this would be inconsistent with sound fiscal policy. Airport development funds have been almost quadrupled since 1970 under this administration.

The airlines are still convinced of the great urgency of taking action on the issues that the Congress dealt with in the last year's legislation. As we have already pointed out, the enactment of head taxes by cities has increased greatly in recent months and we have every reason to believe that that movement will continue.

Cities are still being hampered in the achievement of airport improvements by the 50 percent matching grant provision. The airport improvements designed to provide additional security should have a very high priority and the improvements necessary to achieve legally required certification must move forward rapidly.

In communications to the Congress, the Department of Transportation has suggested that all airport changes be delayed until the Congress has received and had an opportunity to review the cost

allocation study, the National Airport System plan and the report of the Aviation Advisory Commission. We do believe that these studies are important and will inevitably provide a basis for a thorough examination of the entire airport and airways program. We look forward to this reexamination because we would hope that we can present again to the Congress, hopefully in a more convincing way, our desire to provide for an improved matching grant ratio for all airports and our belief that the public areas of terminal buildings should be made eligible for Federal airport aid on a 50-50 basis.

However, for all the reason we have stated, we do not believe that the problems dealt with by last year's bill can be postponed for the length of time required for a congressional review of these studies. Accordingly, we hope that you will promptly report a bill similar to that which was vetoed last year, although perhaps with a lower required expenditure level. The current requirement of \$280 million annually is after all, a floor, not a ceiling, and the amount can be adjusted upward by the Appropriations Committee.

In addition, the review of the airport and airways program which follows submission of the DOT studies will provide an opportunity to further explore this problem. For these reasons, we do not consider it absolutely essential that the mandatory minimum spending level be increased at this time. The delegation of such a requirement in the legislation you are now considering should assure its enactment without undue delay since it would remove the President's stated objection to the measure.

That concludes my statement, Mr. Chairman. I will be glad to try to answer any questions.

Mr. JARMAN. Thank you, Mr. Tipton. I think it is an excellent statement.

At this time, before we get into questions and answers, I would like to introduce Mr. Edward J. Driscoll, National Air Carrier Association, who is listed as one of our three witnesses this morning, and who has asked to be recognized to insert a statement in the record.

STATEMENT OF EDWARD J. DRISCOLL, PRESIDENT, NATIONAL AIR CARRIER ASSOCIATION

Mr. DRISCOLL. Thank you, Mr. Chairman.

Mr. Chairman, our position substantially supports that taken by the Air Transport Association. So, with your permission I would like to insert ours for the record.

Mr. JARMAN. Thank you. We will be glad to receive it. We appreciate your being with us.

[Mr. Driscoll's prepared statement follows]:

STATEMENT OF EDWARD J. DRISCOLL, PRESIDENT, NATIONAL AIR CARRIER ASSOCIATION

I am Edward J. Driscoll, President of the National Air Carrier Association, the trade association which represents the principal U.S. supplemental air carriers. The supplementals, as you know, are the charter specialists of the air transport industry. These airlines hold certificates of public convenience and necessity, issued by the Civil Aeronautics Board, authorizing the performance of charter services both domestically and internationally.

Our views on the subject of state and local taxation of airline passengers and air transport services are already a matter of record. As you will recall,

I appeared before this Committee last June in support of legislation which would have prohibited such local taxes, and replaced them with an increased federal subsidy for airport facilities. Congress enacted such legislation last year, but it was vetoed by the President on fiscal grounds. The President did not, however, indicate any disagreement with the prohibition against local taxation of airline services. I believe there is general agreement throughout both industry and government that such taxation imposes an unfair and discriminatory burden on both the airlines and their passengers.

As a result of last year's veto, the problem has now become even more acute. The number of states and municipalities which have imposed such taxes has increased five-fold since last summer, and more are contemplating doing so. In addition to the "head tax" on airline passengers, a new and even more dangerous concept has now appeared—the "gross receipts" tax on airline revenues. Unless Congress acts promptly and effectively, these burdensome taxes will continue to proliferate, and will cause serious economic injury to the air transport industry and its users.

Aside from the economic burden, these taxes also create an administrative nightmare for the airlines, which are in most cases required to collect the taxes from the passengers. At first glance, the problem might seem most acute for the scheduled carriers, which have to keep track of the different taxes imposed by every one of dozens of cities which they serve. But the supplementals, because they engage only in charter air transportation, are even less able to bear the burden of collecting these taxes and maintaining the necessary records.

The supplementals do not deal directly with individual passengers at all, as the majority of their business is handled through private organizations, travel agents or tour operators. It is therefore particularly difficult for them to collect taxes from individual passengers without setting up a separate collection procedure at the time the passenger checks in.

Although the Supreme Court held that such taxes are not in conflict with any existing legislation, it did recognize that this is a matter on which Congress has the final say. It emphasized, in the *Evansville-Vanderburgh* case, that the right of local governments to impose taxes on airline passengers and services would be preserved only until "Congress chooses to enact a nationwide rule." Many people, both in Congress and in the industry, thought that Congress had enacted a "nationwide rule" when it adopted the Airport and Airway Revenue Act of 1970. But since the Court has ruled otherwise, additional clarifying language is now urgently needed. Congress should therefore adopt legislation which will make clear, once and for all, that any local tax on airline services conflicts with the federal scheme.

We recognize that airlines and their passengers should bear a fair share of the cost of airport facilities, but they already do so through federal taxes imposed by the 1970 Act. If additional subsidies are required, they should be provided on a uniform national basis, and not through conflicting and discriminatory local taxes.

Although we support federal funding for airports, and particularly for the public areas of passenger terminals, we believe stricter safeguards are required to prevent discrimination by the operators of such facilities against the supplemental carriers. Although the Congress, as well as the CAB, FAA and other agencies of government, have recognized that the supplementals stand on an equal footing with the scheduled carriers, many local governments and airport operators have restricted the supplementals' access to airport facilities in a variety of ways. At many airports, for example, supplemental carriers are prohibited from using the main terminal, and must share some remote and inadequate facility with business and private aircraft. These general aviation facilities are often much less convenient for the passengers, and generally are not equipped to handle and service efficiently the large commercial jets which the supplementals operate. Moreover, the supplementals are frequently required to purchase ground services—such as passenger check-in services, baggage handling, aircraft maintenance, and fuel—from the fixed base operator, rather than from the scheduled carriers, which are in many cases willing and able to provide such services more efficiently and at lower cost. Our airlines and their passengers pay their fair share of the taxes which support these airports; they should be treated equally in the allocation of these facilities.

Although some aspects of the airport development air program are currently under study, the Congress should not await the results of those studies to deal with these urgent problems. Legislation should be enacted now to bar state and local taxation of airline services, and to assure fair and equal access to airport facilities by both scheduled and supplemental carriers.

Mr. SHOUP. Would Mr. Driscoll be available to answer questions, then, while we are questioning Mr. Tipton?

Mr. JARMAN. Do you intend to be with us through the hearing, Mr. Driscoll?

Mr. DRISCOLL. We will not be with you through the hearing, sir, unless the committee desires us to be. We will take cognizance of it and follow it closely.

Mr. JARMAN. Your office is here in Washington?

Mr. DRISCOLL. Yes, sir. We are available. We will make close contact with Mr. Dixon, so that we will be at the committee's disposal.

Mr. SHOUP. I think what I had in mind was that, as it was said, they are in agreement on the position.

Are you willing to agree with the questions and answers received with regard to Mr. Tipton?

Mr. DRISCOLL. Let me say: I will stay through the question-and-answer period.

STATEMENT OF STUART G. TIPTON; ACCOMPANIED BY LEO SEYBOLD, ATA—Resumed

Mr. TIPTON. How is that for a vote of confidence.

Mr. JARMAN. I think, Mr. Tipton, the only additional question the Chair would ask of you at this point is with reference to the \$280 million figure, with particular reference to the bill that went to the President last year, which increased the minimum expenditure limit for the airport program from \$280 million to \$350 million.

And the President, on the predicate that this was an excessive expenditure, used this as a reason for a veto of the legislation.

Now, do I understand from your testimony that you say, "We do not consider it absolutely essential that the mandatory minimum spending level be increased at this time"?

Would you have any further comment to make on that in terms of any more specific recommendations to the committee?

Mr. TIPTON. Our recommendation is that we would not find objectionable a reported legislation which adhered to the present \$280 million minimum. And we leave to the committee's judgment, of course, the question as to any amount to be put in above that.

We think that in view of the fact that these studies will come up, that the committee will be reviewing them, that the issue of minimum expenditure limits inevitably will arise in that study, and that during this period between these times the maintenance of the present minimum will not do harm. I really have no doubt that when the committee reviews their studies, particularly the "Airport System Plan Study," the conclusion will be reached that that minimum figure must go up.

But in view of the fact that the issue will be reviewed again, our thought was that in order to provide for the rapid enactment of this legislation, which deals with crucial problems, there need not be a great dispute as to this minimum level; particularly, of course, since it is a minimum.

Mr. JARMAN. Thank you.

Mr. Adams?

Mr. ADAMS. Mr. Tipton, I was comparing the status of the trust fund in the statement that you prepared for us with the status as listed in

the Senate report. And they seemed to be the same sources. But we got into this yesterday morning, as to whether there was going to be a surplus, and how much of a surplus there was going to be, and we did not get an answer from the administration witnesses, other than the fact that there would be a surplus.

You have a figure for 1973 of a surplus of \$180 million. The Senate report says \$137 million. You have for 1974 a surplus of \$248 million. The Senate report shows \$146 million.

Can you tell me: Is this an updated figure from the FAA, or what? And I am referring to the Senate report, page 13, that accompanied S. 38, which was printed February 1, 1973.

Mr. TIPTON. Mr. Seybold, vice president for Federal Affairs of the Air Transport Association, has the answer to that question.

Mr. SEYBOLD. It is our understanding that the differences accounted for by the increase in the level of expenditures for F and E which Congress appropriated last year that was not reflected in the Senate table.

Mr. ADAMS. In other words, they have compensated for an increased spending factor in facilities and engineering development that is not reflected in this table? Is that right?

Mr. SEYBOLD. That is reflected in that table and was not in the other.

Mr. ADAMS. That would run in the other direction, because your surplus figure shows higher. In other words, your surplus figure shows \$180 million accumulating in 1973, and the Senate figure shows only \$130 million accumulating.

Mr. SEYBOLD. I beg your pardon. That is accounted for by the increase in yield from the taxes that were not reflected in the other table. This is an up-date of that.

Mr. ADAMS. This is an up-date of that; that is what I was trying to find out. Because, at some point the committee is going to have to use a set of figures, since we did not get any from the administration witnesses.

The figures in your statement, then, are from the FAA updated figure of the Senate report?

Mr. SEYBOLD. I am not sure whether they are from FAA or Treasury, but I believe they are from the FAA updated airport system plan.

Mr. ADAMS. Thank you.

Mr. Tipton, did you hear the testimony of the administration witnesses yesterday? Mr. Krogh?

Mr. TIPTON. No.

Mr. ADAMS. Have you been briefed on what was stated? Because I want you to have some independent knowledge other than what I am going to tell you they said.

Mr. TIPTON. Yes, I have.

Mr. ADAMS. You have been briefed?

Mr. TIPTON. Yes.

Mr. ADAMS. I understood their testimony yesterday to indicate that the administration position was not that of vetoing the bill because of an increase in the spending because we were at a point, I thought, on this subcommittee, where we were going to be able to agree on that and quickly move out a bill, or at least a compromise bill.

Do you, from what the administration has said, think it would be of any validity for this committee to report out the same bill, changing

that figure on which the veto was based, when the administration witnesses indicated they were going back to their prior position, and they did not like any of it?

Mr. TIPTON. I would think that this committee and the Congress could rely upon what the President said in vetoing the legislation last year.

Mr. ADAMS. In other words, it is the position of your group that we should take what he said in his veto message of last year about the \$280 million mandatory spending and run at him again with that same bill?

Mr. TIPTON. It seems to me that the Congress can rely upon that, and I am sure the President would want the Congress to rely upon his statement in the veto message.

Mr. ADAMS. And you agree with me, then, that his veto message was only directed toward the mandatory spending limit in the bill?

Mr. TIPTON. That is my understanding of it. And I have read it many times.

Mr. ADAMS. I want to be sure of that, because that is my understanding, too, and I wanted to know if you were briefed on it, because I did not want my opinion on it to color your position.

Mr. TIPTON. To comment further on that, I was a little surprised at the statement yesterday, too, because what the Department seemed to do was return to a very early—

Mr. ADAMS. They returned to the position that they originally came to the committee with, before we sat through several months of hearings, several months of compromise on both sides and came out with a conference report. Is that not correct? That is what I meant by going into the trenches. Are both sides supposed to go to the original positions and fight it out? Or could we take up from where we left off?

Mr. TIPTON. As I say, I was surprised that they returned to those earlier positions because they argued them before the committee. The committee agreed with them in part.

For example: You knocked out terminals—and broke our heart in the process. And it would seem to me that our focus should be upon—

Mr. ADAMS. The final unresolved issues.

Mr. TIPTON. The final unresolved issues. And we are prepared, as I said in the statement, to reserve our really great desires in changing the airport program to the more detailed studies that the administration is going to bring out.

Mr. ADAMS. All right.

Now, Mr. Tipton, would your organization support an immediate 18-month moratorium, while all of these reports that we are supposed to have received some time ago, are made available and we have it out over amounts of the trust fund percentages, if it is going to be the administration's position that they are going to argue about all of these things?

Mr. TIPTON. Mr. Adams and Mr. Chairman: this proposal for a moratorium has been put forward many times, a moratorium on the head tax problem. We think such a moratorium would be a mistake. The only justification for having a moratorium, it seems to me, is to provide a long period for an extensive study of head taxes, their

impact, their characteristics, the effect on air transportation, the effect on the economy of the airports.

We have already had the moratorium. We have had a long time since this started—

Mr. ADAMS. But the problem was that it didn't stop any head taxes.

Mr. TIPTON. It didn't stop any head taxes.

We don't need, in my opinion, to study this issue any longer.

Mr. ADAMS. All right. But I want to know this, Mr. Tipton: suppose this committee were to take a position of accepting the administration's statement at face value that they would agree to an 18-month moratorium, and were to, in effect, pass two bills, an immediate bill for an 18-month moratorium on all of these taxes you have mentioned, to hold everybody still and to roll it back, in effect freeze the situation; and at the same time pass the bill, whatever the committee agrees upon, in terms of terminal aid, formula, taking out of the trust fund, and so forth; pass them simultaneously, and for that matter, take them to the floor simultaneously and send both of them over.

Because, at that point we would at least freeze the tax situation. And if we are going to get into a veto or a fight with the Senate on provisions, or become hung up for a period of time in these other matters, at least we would have done something with the head tax. And I would say as part of that, not barring the fact that we might put a prohibition against head tax into the total package, but in other words, if everybody can agree on 18 months, at least we could stop them while we do the other.

Now, what is your position on that?

Mr. TIPTON. All right. I have stated clearly that I don't like a moratorium. We don't like a moratorium.

If someone got me in a corner and said, "You can have a moratorium, or you can have nothing," I would very quickly choose a moratorium.

Mr. ADAMS. That is what I wanted to know.

Thank you, Mr. Chairman.

Mr. JARMAN. Mr. Skubitz.

Mr. SKUBITZ. I think I understand your position. I am sorry that I wasn't here to hear all of your testimony, but I will read it. I was interested in one remark that you made.

I see that the city of brotherly love is still up to its old tricks; isn't it?

Mr. TIPTON. Yes; the Philadelphia tax has been altered to some degree since the hearing. Of course, the tax is being litigated. We are litigating it. We regard the Philadelphia tax as unconstitutional. It is not in accordance, we think, with the Supreme Court decision which dealt with this issue.

The matter is pending in the Supreme Court of Pennsylvania at this time. And we have every reason to believe that the tax will be held illegal.

Mr. SKUBITZ. Do you think that if this committee does not act on the head tax issue Philadelphia may propose a 25-cent charge on anybody that enters the airport?

Mr. TIPTON. I think that is one difficulty with the whole head tax problem; it is wholly uncoordinated; it is uncontrollable. And the citizen, the taxpayer in this instance, doesn't have his usual protection,

because his is a small group, and a very high percentage of those taxpayers are from out of town.

Now, if within your own community a tax is proposed that is burdensome and discriminatory you, as a taxpayer and a citizen, have great power. But in the case of the head tax, that power is not there and that is one of the things that makes the head tax so completely uncontrollable, so uncoordinated, with prospects of great burden.

Mr. SKUBITZ. The best way to get rid of the head tax is to send the Members of Congress through Philadelphia and compel the payment only once.

Mr. TIPTON. I think a great many of them have.

Mr. SHOUP. Mr. Tipton, you were speaking of a 4-percent tax. You then went on to say that this would create a 2½-percent increase in passenger payers. The difference there is because of the tax structure of the individual airlines? The 4 percent down to 2½ percent?

Mr. TIPTON. No. It is a 4-percent tax on revenues from a portion, a very large portion of the revenues related to the State of Ohio.

The application of the tax to other States—it is a complicated tax and it will grow more complicated as more States adopt it, but our estimate is that if it were carried out through the States it would take at least a 2½-percent fare increase in order to compensate for these taxes.

I perhaps have not made that clear.

Mr. SHOUP. There is a 4-percent tax in the State of Ohio which is on all tickets sold in the State of Ohio.

Mr. TIPTON. I think I can make it clear. The gross receipts tax applicable in Ohio does not cover all receipts of the airlines going over or passing through Ohio. A portion of the interstate transportation is not taxed because it would be unconstitutional to tax it. So that it would not require a full 4-percent rate increase in order to compensate for that tax.

That is oversimplified, but that is the essence of it.

Mr. SHOUP. Now, on page 6 there was a table here on the downward trend and the value of the project requests. You were not here yesterday to hear the testimony, but you were briefed, I understand. You have met head-on with the Department of Transportation. Their allegation is that the reduction in the funds that are being used, the available funds being used, is not because of lack of available local matching funds but rather that the needs have been met.

Now, I don't think we want just an argument on this thing. We have had an allegation on each side. I have seen nothing that would prove or disprove your theory or their theory.

Mr. TIPTON. In our previous testimony, which is contained in this package before you, in our testimony of last year, we spoke in considerable detail of the magnitude of airport needs.

We have had no reason to change that. Now, it really cannot be effectively argued that the Nation's airport needs have been met. They have not been met. There are many projects throughout the country, and we do a survey of our airport requirements, airport by airport, as to what we think should be done to the airports.

So it really cannot be argued that the airport needs have been met, particularly when one looks down the road a little ways where these very large estimates of traffic increases are taken into account.

Mr. SHOUP. Your position, as a representative of the airlines, is that the airports that you serve, that your company serves, are not adequate?

Mr. TIRTON. Some of them are not adequate right at this time. Others, as we look down the road, will not be adequate, in view of the long leadtime on airport improvements.

Now, the problem with the matching funds is twofold: One problem is the inability of the city, through its own resources, to put up the total amount of money.

The other problem is an airline problem because the airports, in many, if not most communities would look to airlines to support the matching funds, either through the support of revenue bonds or in some fashion like that.

The airlines have had a bad time in the past several years in the process—I will spend a little time on this, if I may, because it is a big factor in the decision.

Mr. SHOUP. I think I am familiar with what you are going to speak on. I think what I was fishing for was: do you have anything specific that would indicate that a number of communities or airports have indicated their desire to use funds but are unable to come up with the matching funds?

And perhaps it is unfair to ask you; perhaps we should save that for Mr. Reilly when he testifies.

Mr. TIRTON. I cannot do this airport-by-airport. No, I can't give the specific response that you would like to have. I think our judgment is right, but I can't sustain it in specifics.

Mr. SHOUP. On page 7 and in other places you speak of changing the matching fund ratio from 50-50 to 90-10, and then you have two other suggestions. Are you suggesting that all matching requirements in all areas be 90-10?

Mr. TIRTON. No. Our suggestion, our recommendation, was with respect to airfield improvements, that Congress follow the Interstate Highway System formula of 90 from the trust funds; 10 from the local communities.

With respect to terminals, we recommended that the matching, which are not covered at all under existing law, will be 50-50—retain the 50-50.

Mr. SHOUP. Or institute the 50-50.

Mr. TIRTON. Right; institute the 50-50.

Mr. SHOUP. Now, did I hear you say you felt that there should be 100-percent funding by the Federal Government of the airport security?

Mr. TIRTON. The original suggestion was that on security it should be 100 percent, and on certification it should be 100 percent.

Mr. SHOUP. Now, may I ask you: when you speak of security—we have had a little difficulty here in what we are speaking of, the policing and law enforcement, or the actual search.

Mr. TIRTON. When we referred, and do refer, to security improvement at the airports, we are referring not to the guards or personnel of that sort. We are referring to capital improvements like fencing of the airport, lighting of the airport. That is, lighting for security purposes, and so on.

Mr. SHOUP. Security of the facilities and not of the passengers; that is what you are referring to?

Mr. TIPTON. That is right.

Mr. SHOUP. And it is your feeling, your position, that this funding can come 100 percent out of the trust fund?

Mr. TIPTON. Yes. They are both Government required.

Mr. SHOUP. Actually, you had three areas, three suggestions. All three of them come out of the trust fund.

Mr. TIPTON. All of our suggestions come out of the trust fund; yes.

Mr. SHOUP. Fine. Thank you.

I have no further questions, Mr. Chairman.

Mr. JARMAN. Any additional questions?

I think one reason why we are not going into it in greater detail, Mr. Tipton, is that as you know, we went into this thoroughly with you and others as recently as a few months ago.

We certainly appreciate your up-to-date testimony on this subject and thank you for helping us make the record as we move toward executive session.

Mr. TIPTON. Thank you very much, Mr. Chairman and members of the committee.

Mr. SHOUP. Mr. Chairman, do you think we should ask Mr. Driscoll at this point if he would care to rebut or endorse?

Mr. DRISCOLL. Definitely endorse, especially the point on the moratorium.

[The following letter was received for the record:]

AIR TRANSPORT ASSOCIATION OF AMERICA,
Washington, D.C., March 23, 1973.

HON. JOHN JARMAN,
Chairman, Subcommittee on Transportation and Aeronautics, Committee on Interstate and Foreign Commerce, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: In the hearings yesterday, the witness representing the National Association of State Aviation Officials was asked whether any states had legislation pending to impose head taxes at the state level. He said he knew of none.

Attached for your information is a list of state legislation which would impose state head taxes on passengers and which has been introduced in the various state legislatures currently meeting. In addition, there are various bills pending in state legislatures which authorize local governments to impose local head taxes.

I thought the Committee should have this information to clarify the record.

Sincerely,

S. G. TIPTON, Chairman.

Attachment.

LEGISLATION HAS BEEN INTRODUCED IN THE FOLLOWING STATES IMPOSING
HEAD TAXES

1. California, H. 57. State Airport Security Program Funded by a 50¢ boarding fee.
2. Colorado, H. 1007. \$1 on all passengers enplaning from any international airport (i.e. Denver owned Stapleton field) to provide funds for urban mass transit within the state.
3. Hawaii, S. 1234. Omnibus tax bill which reportedly includes a \$5.50 transportation facilities tax to be levied upon the passenger enplaning.
- H. 809. Levies a per passenger user charge upon the airline. (Amount left blank in the bill as introduced.)
- H. 925. Levies a per passenger user charge of \$5 upon contract or charter carriers.

H. 1030. Levies a per passenger user charge of \$2 upon contract or charter carriers.

4. Massachusetts, H. 782. Imposes \$1 ticket surcharge on all outgoing passengers leaving Logan Airport. Funds going to cities and towns of Suffolk County in direct proportion to the population of each community.

H. 3199. Imposes a tax in the greater of either \$2 or 4% upon passengers enplaning within the Commonwealth. Funds to go to the city or town in which the airport is located.

H. 3202. Imposes an excise of \$1 upon passengers enplaning at Logan Airport. Funds to go to the city of Boston.

5. New Mexico, H. 527. Levies a \$1 passenger charge upon the carrier.

6. New York, S. 291. Imposes head tax with funds derived to be used for noise abatement.

7. North Dakota, S. 2338. Would have imposed a \$3 passenger service fee to reduce the municipal tax levy.

Mr. JARMAN. Our final witness this morning is Mr. J. Donald Reilly, executive vice president, Airport Operators Council International, with offices in Washington.

Mr. Reilly.

**STATEMENT OF J. DONALD REILLY, EXECUTIVE VICE PRESIDENT,
AIRPORT OPERATORS COUNCIL INTERNATIONAL (AOCI)**

Mr. REILLY. Good morning, Mr. Chairman.

The Airport Operators Council International is the association of the governmental bodies which own and operate the principal airports served by the scheduled airlines in the United States, as well as in many countries abroad. Our U.S. member airports annually enplane more than 90 percent of the domestic, and virtually all of the U.S. international, scheduled airline passenger and cargo traffic. In addition, our local government members operate many reliever and other general aviation facilities which supplement the larger airports in their communities and regions.

Mr. Chairman, we appreciate the opportunity to present the views of our U.S. members on S. 38, H.R. 2695, and H.R. 4082—the pending bills to increase the Federal share of airport project costs through amendments to the Airport and Airway Development Act of 1970 and to prohibit State taxation of the carriage of persons in air transportation through an amendment to the Federal Aviation Act of 1958.

Before discussing these issues, we would like to brief the subcommittee on the general condition of our national airports system after nearly 3 years' experience with the 1970 aviation financing law.

The 1970 law, which authorized user-tax-supported grants of not less than \$280 million annually to airport sponsors for capital development projects related to aviation safety, is now working fairly well. Thanks to this committee particularly. Congress in late 1971 tightened up the language of the Airport and Airway Development Act so that user-tax revenues are flowing into the trust fund, airport grant requests are being approved, and construction projects are underway.

Since the new program was enacted, over \$600 million has already been allocated for some 1,100 important airport projects across the Nation. Most of the projects which have been approved to date will reduce the backlog of unfunded construction carried over from the 1965–70 period.

Unfortunately, though, not a single new jetport or major new runway has been approved for siting and development since the 1970 law

was signed. Local community opposition to aircraft noise has prevented or at least delayed sponsor requests for new airport assistance throughout the Nation. While congressional action to require retrofit or other measures to reduce the noise levels of today's fleet of jet aircraft would help alleviate the "new airport" problem, the Airport and Airway Development Act itself is not lacking and requires no environmental amendments. The jetport impasse is a reflection of the times in which we live and is generally impervious to financial factors. But, the segments of the aviation industry, working together with the Federal Government in an innovative, positive fashion can—and must—resolve this problem.

While we characterize the 1970 act as "working fairly well," this is not to suggest that certain specific changes are not needed at this time.

New problems have arisen since Congress completed its legislative deliberations 2 years ago: (1) new Federal Aviation Regulations, not envisioned in 1970, have required 531 civil airport operators to submit multiyear plans for the improvement of security at their facilities and to hire, train, arm and uniform law enforcement officials to back up security screening at each passenger checkpoint; and (2) the airlines' economic condition in the 1970-72 period has resulted in hundreds of airport sponsors' being unable to provide the required matching funds for available Federal user tax dollars.

In addition, other issues, initially considered but not resolved in 1970, become more pressing with the passing of time. The financing of passenger terminal buildings is a primary example. Also, the 1970 act's contract authority provision must be extended. Under the current law, this authority will expire unless congressional action on extension is completed this year.

In short, Mr. Chairman, the Airport and Airway Development Act of 1970 was landmark legislation. We are grateful for it. It is doing a limited job well. We respectfully suggest that, with nearly 3 years of experience with its provisions, Congress address itself promptly to these new problems and the unsolved old ones.

Mr. Chairman, for ease of presentation our comments on the pending legislation will be divided into two parts:

Part I—Those sections of bills which would increase the Federal share of various airport project costs by amendments to the Airport and Airway Development Act of 1970 [secs. 2-6 of S. 38, H.R. 2695 and H.R. 4082];

Part II—Those sections of bills which would prohibit the State taxation of the carriage of persons in air transportation by amendment to the Federal Aviation Act of 1958 [sec. 7 of S. 38, H.R. 2695 and H.R. 4082].

PART I—AIRPORT AND AIRWAY DEVELOPMENT ACT AMENDMENTS

A. FEDERAL PERCENTAGE SHARE

The current statutory language which requires the local airport sponsor to provide, with minor exceptions, 50 percent of the total costs for the development of airport landing areas is a carryover from the pre-ADAP era. The financial participation language in the 1970 Air-

port and Airway Development Act unfortunately follows the 1946 provisions of the first Federal Airport Act. In addition to this 50-percent matching requirement, the sponsor has to arrange financing for 100 percent of the costs of the terminal area, airport access, and other components of his facility.

To whom does the sponsor look for revenue or Government aid with which to match available Federal funds? Nationwide, State governments provide only 2-3 percent of total airport system costs. The remainder has been obtained from airline and other users of the airport facilities—including concessionaires—or absorbed by the local government through subsidy.

Prior to the 1970 Airport-Airway Act, the problem of securing local matching funds was somewhat difficult. But, with a fourfold increase in the amount of trust fund moneys committed to the new ADAP program to help with needed development, there has been a concomitant worsening of the local matching problem for many, particularly smaller, airport sponsors. Local governments are increasingly unable to finance airport improvements from local tax dollars, because other local public project needs are also pressing and frequently given local priority. Charges on airport concessionaires have been increased to about their maximum limits and, when all these sources of funds have been exhausted, the only remaining source of increased airport development revenue is the airport's airline tenants.

The 1970 act and its \$280 million annual airport authorization came in the midst of an airline economic recession which is, to a lesser degree, still with us. The carriers' \$200 million loss in 1970 and \$30 to \$50 million loss in 1971 represented, for airports large and small, runways and taxiways which could not be built and terminal buildings which had to be stretched again rather than replaced. Despite their modest profits in 1972, the airlines are still in no financial condition to underwrite the extensive development needs of public airports.

The airlines' inability to underwrite airport development through increased landing fees and support for revenue bond issues has resulted at a minimum in the withdrawal or nonsubmission in the first 18 months of the new law, of more than 900 requests for ADAP aid representing in excess of \$500 million in total airport development. This backlog will take much time to overcome.

Therefore, AOCI believes that the 1970 statute must be amended as proposed in section 5(1) of each of the three proposed bills, to increase the Federal share on airport safety projects at all but the 25 largest airports to 75 percent. There are many reasons why this course of action is reasonable and necessary at this time.

Airport development requires a greater percentage of contribution from local sponsors than any other major Federal transportation program. Interstate highways receive 90 percent, other highway programs are funded at 70 percent. Mass transit projects are financed at 80 percent. This pattern, which many call "discriminatory," has undesirable effects at the local level. For example, a mayor with many transportation needs gets a far better "return on investment" by plowing local funds into transportation projects other than airports.

An increased Federal percentage share is an equitable, and the easiest, method of getting necessary airport development accomplished through taxes provided by the aviation users.

We also ask the Congress to recognize that, above this base Federal percentage share for safety projects, there are a number of high priority items which deserve the same type of Federal financing which Congress has provided for the airways system.

Federal funding is required to help airport operators comply with the President's program for aviation security. New Federal Aviation regulation, part 107, requires some 531 air carrier airport sponsors to develop comprehensive plans and programs to protect all runways, taxiways, and aprons from unauthorized access. This requires airport sponsors to install fencing, floodlighting, and personnel identification systems and to employ guards to patrol the ramp areas. This is an addition to the recent amendment to FAR, part 107, which now requires the airport operator to also hire, train, arm, and uniform law enforcement officers to back up the security screening effort at every passenger checkpoint.

Airport operators agree that the protection of runways, taxiways, and aprons from unauthorized access is a necessity. Unfortunately, airport operators also recognize their inability to carry out promptly federally required security programs without a large measure of Federal financial assistance. Not being able to anticipate these new Federal security requirements, local sponsors have not budgeted for these fencing, floodlighting, and personnel identification systems which the new security regulations require. Airport operator efforts to try to obtain matching funds for these security items from airline tenants generate the same response which follows discussions for financing safety items for landing-area development.

Carriers maintain that they have security costs of their own, including the costs of personnel to operate the magnetometers the Federal Government purchased for their operation at their boarding gates. Additionally, fences do not increase passenger revenue, and are a significant nonproductive cost to the carrier. General aviation interests, in turn, are not anxious to increase fees to subsidized security primarily necessitated by airline problems and passengers.

Thus, we urge early enactment of section 5(2) of all three of the proposed bills, providing 82-percent Federal funding for costs associated with the provision of security equipment at the airport.

Similarly, we believe that the costs of airport operator compliance with the airport certification program mandated by the Airport and Airway Development Act of 1970 should be eligible for 82-percent Federal funding. Fire equipment, crash-rescue machinery, and similar equipment represent, like security, nonproductive cost items for airport management. We feel the Congress must act favorably on the section 5(2) provisions for 82-percent Federal financing of these items.

B. PROJECT ELIGIBILITY CRITERIA

ACCI recommends that, in addition to increasing the Federal percentage share of allowable project costs for airport safety and security projects, Congress also expand the classes of projects eligible for Federal user-tax assistance. This would include some security program costs referred to above which are currently ineligible for any Federal aid.

Certain costs of specified terminal building development—those associated with the public use handling of passengers and baggage—should be made eligible for user-tax assistance. The Senate in 1970 did recommend that some terminal area projects be included as eligible items, but this concept was not accepted by the House of Representatives.

The case in favor of terminal-area eligibility intensifies with the passage of time. In all our surveys, the dollar requirements for terminal area development far exceed the total capital investment needed for airside expansion in this decade. With the larger, wide-bodied aircraft and the projected traffic growth of the 1970's come escalating requirements for baggage-handling space, passenger-processing space, moving sidewalks that facilitate passenger movement, waiting rooms for travelers and other public use facilities.

Those who have not in the past favored Federal assistance for terminal area projects might well consider two primary factors. First, the funds for the airport development program authorized in 1970 are coming from the users of these airport facilities and not from general tax sources. It appears clear that those who are contributing tax dollars for civil aviation development want this revenue used to help solve all parts of the airport problem.

For the harried traveler who, for example, is waiting for his baggage to be delivered, the distinction between the traditionally conceived eligible and ineligible parts of the airport is meaningless. Second, we are not advocating that Federal financing be available for those parts of the terminal area complex which can be supported by other sources of revenue. Parking lots, cocktail lounges, and other similar type concession areas should continue to be financed through arrangements at the local level without ADAP participation.

For these reasons, we strongly favor the enactment of section 5(3) of S. 38, which would include only these public use portions of airport terminals under the 50-percent Federal financing eligibility.

C. SPONSOR ELIGIBILITY

AOCI also offers its full support for enactment of section 4 of the proposed legislation which would amend the law to permit ADAP grants to be made to non-Federal sponsors for projects on airports owned by Federal Government agencies. ADAP funds would then be available to joint civil-military use airports. We urge that Congress act favorably on the noncontroversial measure.

D. MULTIYEAR AIRPORT ASSISTANCE

The 3-year contract authority provision in section 14(b) of the Airport and Airway Development Act has, for the first time, permitted airport sponsors some advance indication of the availability of Federal funds on more than a yearly basis. Under this program, the FAA Administrator can enter into grant agreements for up to 3 fiscal years with sponsors in advance of the actual appropriation of user tax moneys. For the first time, this has permitted airport management to do responsible advance planning on larger multiyear construction projects.

Action must be taken this year to enact legislation to extend this most helpful multiyear financing program. The \$840 million provided in 1970 for fiscal year 1971, 1972, and 1973 is being committed rapidly. Unless congressional action is completed by September, the FAA will be unable to make additional commitments for airport construction and the ADAP program will revert to the annual appropriation process which delayed countless projects throughout the 1960's.

In short, Mr. Chairman, AOCI members believe that the 1970 act was a good beginning in assisting local governments to modernize existing facilities and to provide needed new ones, but that these additional changes in the law, as noted above, should be considered at this time.

PART II—FEDERAL AVIATION ACT AMENDMENTS

Section 7 of S. 38, H.R. 2695, and H.R. 4082 would amend the Federal Aviation Act of 1958 to prohibit State taxation of the carriage of persons in air transportation. This practice, which was sanctioned by the Supreme Court decision in the *Evansville/New Hampshire* cases last April, is commonly known as the head tax.

The Airport Operators Council International does not oppose the local imposition of such head taxes. We think it is important for the Congress to recognize why these head taxes have proliferated in the past year.

Many airports still have a great amount of difficulty raising the local matching funds which are necessary to secure money from the Airport and Airway Trust Fund. Since these airports are primarily owned by city or county governments and, particularly at smaller airports, generally are not self-sustaining, they must obtain their 50 percent of the proposed project costs from hard-pressed local governments. In this, they compete with many other local projects for a limited supply of local funds.

In addition, the recent requirements imposed on airport operators by Federal aviation regulation part 107, dealing with airport security, will require an additional \$57 million for the local law enforcement presence in addition to the costs of installing fencing, lighting and identification systems.

These costs, plus those associated with airport certification and new terminal building expansion needs, represent, particularly for the smaller airport operator, fantastic increases in his budgetary needs.

For these reasons, many local airport sponsors have found it necessary to raise these funds by imposing a per-passenger charge for the use of the airport facility. As mentioned above, AOCI does not oppose the local imposition of such charges. However, if the House otherwise approves the needed amendments to the ADAP program outlined above, and also decides to exercise its right to prohibit head taxes, AOCI would support this total legislative package.

Mr. Chairman, this concludes our prepared statement, and I would be very happy to answer any questions.

MR. JARMAN. Mr. Reilly, I think it is a good statement. We appreciate your being with us. I think everyone on the committee recognizes the problem that local governments face in financing local responsibilities and certainly that applies to the financing of the needs of the airports.

And certainly one part of our approach to the problem is to try and

generate more revenue for those needs. But many of us feel that the head tax approach is discriminatory and should be eliminated, but that the additional revenue should be generated.

As I understand your conclusion of your statement, you take the position that if the additional revenue can be generated, you would support a legislative result that would prohibit the head taxes?

Mr. REILLY. That is correct, sir. And I think it should be recognized that that would be on the condition of support for the entire program. There are such items as the terminals, that require a fantastic amount of money. And terminals just can't be considered as self-supporting. There are many areas of the terminal that are public space, that you charge your concessionaires, you charge the airlines the maximum, and you just about reach those maximum levels.

But still, during the next decade our primary and most significant need is going to be for capital in the terminal areas. And we can't provide terminal facilities unless we get the money.

Believe me, this is why so many communities now are toying with the idea of going to the head tax. They are being forced to it. I don't think many of them overtly agree with the concept. They don't want to complicate aviation. We are all for its development. But we must recognize and understand that airports must develop the capital needs.

We have a tremendous program here in ADAP that can do that, providing the right amendments are made at this time.

Mr. JARMAN. I think we understand the problem, and the need, and the position which you take.

Mr. Skubitz?

Mr. SKUBITZ. No questions.

Mr. JARMAN. Mr. Adams.

Mr. ADAMS. Were you here, and are you familiar with the administration's testimony on this matter?

Mr. REILLY. Mr. Adams, I was not here yesterday, but I did read the statement by Mr. Krogh that was presented yesterday.

Mr. ADAMS. We are faced with the problem that the administration has indicated opposition to any change in terminal financing. Is that a required part of your package for support? And if so, don't we run directly into the potential of a veto on a different ground?

Mr. REILLY. You are referring to his statement yesterday that last year's bill was vetoed for both fiscal and program reasons?

Mr. ADAMS. Right.

Mr. REILLY. He did not restrict it to fiscal reasons alone. And I must admit that this is a very unpleasant situation to be faced with, when we, here within the industry, recognize the tremendous needs and find ourselves relegated by the administration to a second-class position as far as what they feel the primary requirements are.

Mr. ADAMS. They based that on programmatic reasons. So we have gotten to that. We have a direct conflict or problem there.

The second one—and this is the point that Mr. Shoup and I have been questioning about and this is why I want to know if you have been briefed. I don't want again to repeat my position as to what they said to you. So, I hope you have had independent briefing on it.

But they have said that the airport needs have been met. I gather from your testimony that you do not agree with this.

Mr. REILLY. Absolutely not, sir. There are just too many outstanding programs and projects that have not been able to go forward. I cited a figure as to the number of projects.

Mr. ADAMS. Do you have that figure in here? Because we have not had specific testimony.

Mr. REILLY. That is correct.

Mr. ADAMS. Was this your 1,100 projects on page 2?

Mr. REILLY. That is the number that have proceeded under the ADAP program.

Mr. ADAMS. Do you have the number which have been requested but have not proceeded?

Mr. REILLY. Correct. And you must understand, sir, that in addition to that number, at the local level, when an airport sponsor recognizes his need for a particular project, he determines at that time whether he can generate his 50-percent matching money.

So the figures of the projects that are not going forward are further compounded by decisions made at the local level that they obviously can't get their local money up. So there is no advantage or reason to go ahead and file for the projects.

But in all of our meetings and in all of the information received from our members, it is quite obvious that many, many projects are going wanting, because the local communities can't develop their money needs. Obviously, in this day of city core-area problems, social problems, and so forth, you can well recognize that many transportation programs, and particularly aviation—because people feel that it can afford to pay its own way in life—are relegated to lower priorities at the local level.

Mr. ADAMS. My final question is that we have had agreement apparently from the administration and most witnesses that, if forced into a corner, they might agree to a moratorium on head taxes, while these various reports came in and a final bill was worked out.

I understand there is a certain amount of local competition over these head taxes among the various airports. Some have been waiting to put them in. Others have said, "Well, if they are going to charge \$2 we are going to charge \$2," and so on.

Would your organization support a moratorium while we were trying to get this done?

Mr. REILLY. We would certainly support a moratorium. It is certainly a middle-of-the-road action if this committee wants to take a middle-of-the-road action. But I think far too often in the past we have seen too many studies that we have waited on.

Mr. ADAMS. I don't mean to indicate that we are happy about the fact that the study is a year or two late. That is why, again, I asked you if you had been briefed on this. We were hopeful we had a compromise position, with maybe just one issue left, on costs.

But if we are going to have a fight on the 75-25 formula, if we are going to have to have a fight on terminal costs, either with the Senate or with the administration, if we are going to have an issue of security costs, this may take some time.

And I am trying to find a ground as to when we start to work on this, or what we all do with the problem. So I appreciate your statement on that and I appreciate your testimony. And if your organiza-

tion can supply to the committee specifics as to what the needs are, this would be very helpful to the committee in its deliberations on whether there should be a mandatory spending limit from the ADAP program, what that limit should be, and also whether we should stand firm on 75-25 and on terminals.

We just simply do not have specifics on the number of projects now. So if you could supply that, we would certainly appreciate it.

Mr. REILLY. We will do our best. And a quick answer to your broad question is that, as you can tell, we firmly support all the various amendments that have been proposed in S. 38. And if you could conceive of that program going through, obviously the head tax would not be so important.

But I would agree if I were backed into the other corner, we would go with the moratorium on that issue also, if it were the last resort. [The following material was received for the record:]

U.S. AIRPORT TERMINAL FINANCIAL NEEDS

A survey conducted in 1971, in conjunction with the Air Transportation Association, resulted in the following figures on the need for passenger terminal development at the 22 major hubs:

1971-75	-----	\$928, 700, 000
1976-80	-----	941, 000, 000
10-year projection	-----	1, 869, 700, 000

This is only a figure for the 22 major hubs. Since it is more difficult to get figures from the smaller airports, we have doubled the total for a ten-year projection of passenger terminal area needs system-wide to get a fair approximation of the terminal needs for all 520 U.S. airports.

There is also a need for \$334 million over the 1974-1980 period for cargo terminals at the 22 U.S. major hub airports.

These figures are in 1971 dollars and need to be appropriately inflated.

PROJECTED AIRPORT DEVELOPMENT NEEDS THROUGH 1977

State	Number of airports	Projected terminal area need	Projected miscellaneous need	Projected ADAP-eligible need
Alabama	12	\$14, 775, 000	\$300, 000	\$15 635, 000
Alaska	112	16, 445, 000	4, 140, 000	132, 727, 000
Arizona	9	32, 393, 000	1, 856, 440	29, 855, 000
Arkansas	12	(?)		3, 708, 000
California	45	283, 155, 928	80, 922, 500	141, 095, 000
Colorado	9	28, 846, 000	7, 367, 000	59, 122, 058
Connecticut	6	1, 730, 500	7, 661, 250	13, 987, 283
Florida	12	2, 330, 000	1, 595, 000	27, 648, 000
Georgia	11	33, 350, 000	21, 000, 000	51, 959, 501
Hawaii	3	37, 996, 068	3, 248, 921	3, 156, 150
Idaho	8			2, 720, 778
Illinois	21	1, 290, 000	1, 413, 000	39, 309, 500
Indiana	6		30, 000	16, 327, 000
Iowa	7	788, 500	3, 481, 500	241, 596, 026
Kansas	8	25, 000	75, 000	3, 139, 500
Kentucky	7			10, 082, 968
Louisiana	5			8, 984, 030
Maine	6	1, 000, 000	55, 200	3, 867, 668
Maryland	1			1, 045, 900
Massachusetts	11			2, 763, 142
Michigan	14	2, 300, 000	759, 000	29, 376, 500
Minnesota	8			4, 176, 078
Mississippi	11			2, 796, 158
Missouri	6	27, 570, 000	3, 602, 675	42, 595, 455
Montana	7			1, 982, 376

See footnotes at end of table.

PROJECTED AIRPORT DEVELOPMENT NEEDS THROUGH 1977—Continued

State	Number of airports	Projected terminal area need	Projected miscellaneous ¹ need	Projected ADAP-eligible need
Nebraska.....	16	4,060,000	1,635,000	9,994,047
Nevada.....	3			17,858,836
New Hampshire.....	3			1,339,738
New Jersey.....	3			14,085,488
New Mexico.....	3			1,597,214
New York.....	8	501,586,000	492,244,000	108,446,050
North Carolina.....	6			13,281,656
North Dakota.....	6			6,015,334
Ohio.....	9	13,380,000	11,016,000	30,508,826
Oklahoma.....	17			7,634,672
Oregon.....	1	37,575,000	32,240,000	36,616,000
Pennsylvania.....	14	308,060,000	69,003,000	89,335,328
South Carolina.....	2			604,000
South Dakota.....	6			2,544,340
Tennessee.....	11	48,442,000	5,505,000	46,229,744
Texas.....	19	78,300	903,000	70,738,666
Utah.....	4			8,097,378
Vermont.....	2			504,224
Virginia.....	9			4,948,566
Washington.....	11	11,959,000	11,272,100	45,672,063
West Virginia.....	6			9,275,494
Wisconsin.....	14	25,398,000	7,750,000	21,905,480
Wyoming.....	7			1,013,968
American Samoa.....	1			1,469,040
District of Columbia.....	2	57,259,740	7,799,700	39,424,900
Puerto Rico.....	1			667,200
Virgin Islands.....	1			77,198
Total.....	542	4,264,333,036	776,875,286	1,474,543,581

¹ Miscellaneous need refers to access roads, landscaping, etc.—projects other than airport terminals which are not currently eligible for ADAP assistance.

— Dashes indicate that no information is currently available.

Mr. ADAMS. Thank you, Mr. Chairman.

Mr. JARMAN. Mr. Shoup?

Mr. SHOUP. You have endorsed the head tax, would you care to comment on the allegation that this head tax has been used for other uses than airport facilities?

Mr. REILLY. Sir, I don't know of other uses that it has been used for. But I strongly affirm to the belief that if a head tax is used it should be used only for the airport, kept within the industry, and should not be used for other purposes.

Again, this goes back to: What is the local airports' need? If it can't generate its revenue from other sources and is relegated to having to use the head tax, then it should be required to remain on the airport for aviation purposes only. And I believe this is the general indication that the Supreme Court gave in its decision.

Mr. SHOUP. My final question is a confrontation-type thing. Mr. Adams referred to it but did not come out with it specifically.

In his direct answer, the representative of the Department of Transportation stated that the terminals do not need assistance; through their concessionaires, they are a very lucrative business.

Would you care to comment on that?

Mr. REILLY. I believe that yesterday in their statement they were even narrower than that.

Mr. SHOUP. I was referring just to the statement of one of the witnesses who was with Mr. Krogh.

Mr. REILLY. I must admit I didn't hear the testimony, but I know that it was stated yesterday that the terminals are "the joint responsibility of the airport operator and the airlines."

Well, I would differ very much with that. Obviously the terminals are the responsibility of the local owner and operator of the airport, who rely very heavily on the participation of the airlines to fill the needs there.

We find that the concessionaires can be priced up to a certain level where they can help with the funding. But there are so many public areas, and public use facilities located in the terminal that we find it impossible to make it a self-supporting facility, particularly at the smaller airports.

Mr. SHOUP. That was my question. They say it is self-supporting, and you are saying it is not self-supporting—the terminal in itself.

Mr. REILLY. That is right, sir.

Mr. SHOUP. Thank you very much. No further questions.

Mr. SKUBITZ. How is this matter of terminal improvement handled in Great Britain?

Mr. REILLY. In England? I must admit I am not that familiar with it.

Mr. SKUBITZ. Is not yours an international association?

Mr. REILLY. Yes. This is true.

Do you want details as to how Heathrow was financed? Is this what you are after, or just in generality?

Mr. SKUBITZ. The improvements within the terminals, the terminal itself.

Mr. REILLY. In general, their terminals, airports, are normally developed on the same principles as here in the United States, but they may or may not have some governmental funding involved.

Mr. SKUBITZ. They may or they may not? Do they or don't they?

Mr. REILLY. In many cases they do. In most cases they do.

Mr. SKUBITZ. How about France?

Mr. REILLY. In France—very highly governmentally funded.

[The following information was received for the record:]

AÉROPORT DE PARIS

In 1971, the State provided a capital endowment of 120 million F., which is to be maintained at that level.

From the *Aéroport de Paris Annual Report of the Board, 1971*, it is noted under remarks on the financial situation that:

GENERAL REMARKS ON THE FINANCIAL SITUATION OF AÉROPORT DE PARIS

As stressed by the Examining Board for Public Enterprise Accounts in its report for the years 1967, 1968 and 1969—its remarks are still valid—the deterioration in the financial situation has deep-rooted causes mainly due: to the exceptional volume of investment to be made in response to traffic growth and to the method of financing it which results in a rapid increase in debt and consequently in financial charges; and to the inflexibility of the system of charges and particularly regulated charges, which does not enable them to be rapidly adapted to changes in the economic situation, as was the case, for example, in raising landing charges for national traffic.

In addition to these structural causes come the effects of the economic situation which prevail on the State, anxious as it is to contain inflationist trends, to intervene so that Aéroport de Paris postpones planned increases in charges: postponement to 1 May 1972 of the increase in the passenger charge from 3.45 F without TVA to 4 F without TVA decided by the Board at its meeting of 18 March 1971; postponement to 1 May 1972 of the rise in the landing charge for national traffic requested in November 1970; and postponement to 1 April 1972 of the increase in various property charges originally fixed for 1 January 1972.

The financial difficulties had long been foreseen and had been stated, in particular, in the forecast for the Aéroport de Paris Five-Year Plan for the 1971-1975 period. A certain number of measures with an immediate financial effect had then been considered, including in particular: a capital contribution from the State corresponding to $\frac{3}{4}$ of the financial resources required for infrastructure and the equipment necessary for air safety; and offsetting the 16% deduction front landing charges, in order to place Aéroport de Paris on the same competitive footing as foreign airports which do not have to meet the same costs for investment and the operation of air traffic services.

The first measure achieved some effect, as the State granted a capital endowment in 1971 of 120 million F producing 5% interest.

It is therefore desirable that the State should agree to keep this endowment to the required level in the coming years.

Mr. JARMAN. Mr. Devine?

Mr. DEVINE. Thank you, Mr. Chairman.

Mr. Reilly, are you a lawyer?

Mr. REILLY. Yes, sir.

Mr. DEVINE. Notwithstanding the finding of the U.S. Supreme Court, are you troubled at all about whether a head tax is unwarranted in interstate commerce?

Mr. REILLY. I really can't answer that.

Mr. DEVINE. You have indicated in your testimony, and I don't want to take up any time here particularly, that you think the head tax is proper, but you feel, however, that if it is, indeed proper, it should be earmarked specifically for the airport facility. Is that correct?

Mr. REILLY. Absolutely, sir.

Mr. DEVINE. Along the lines that Mr. Shoup was talking about here, I get disturbed that in Philadelphia the money goes into a general fund and can be used for any purpose. That troubles me a great deal.

You would favor an earmarking specifically, if indeed a head tax became legal across the country?

Mr. REILLY. I would think that would be fair and just.

Mr. DEVINE. Are you aware of the so-called excise tax enacted by the State of Ohio?

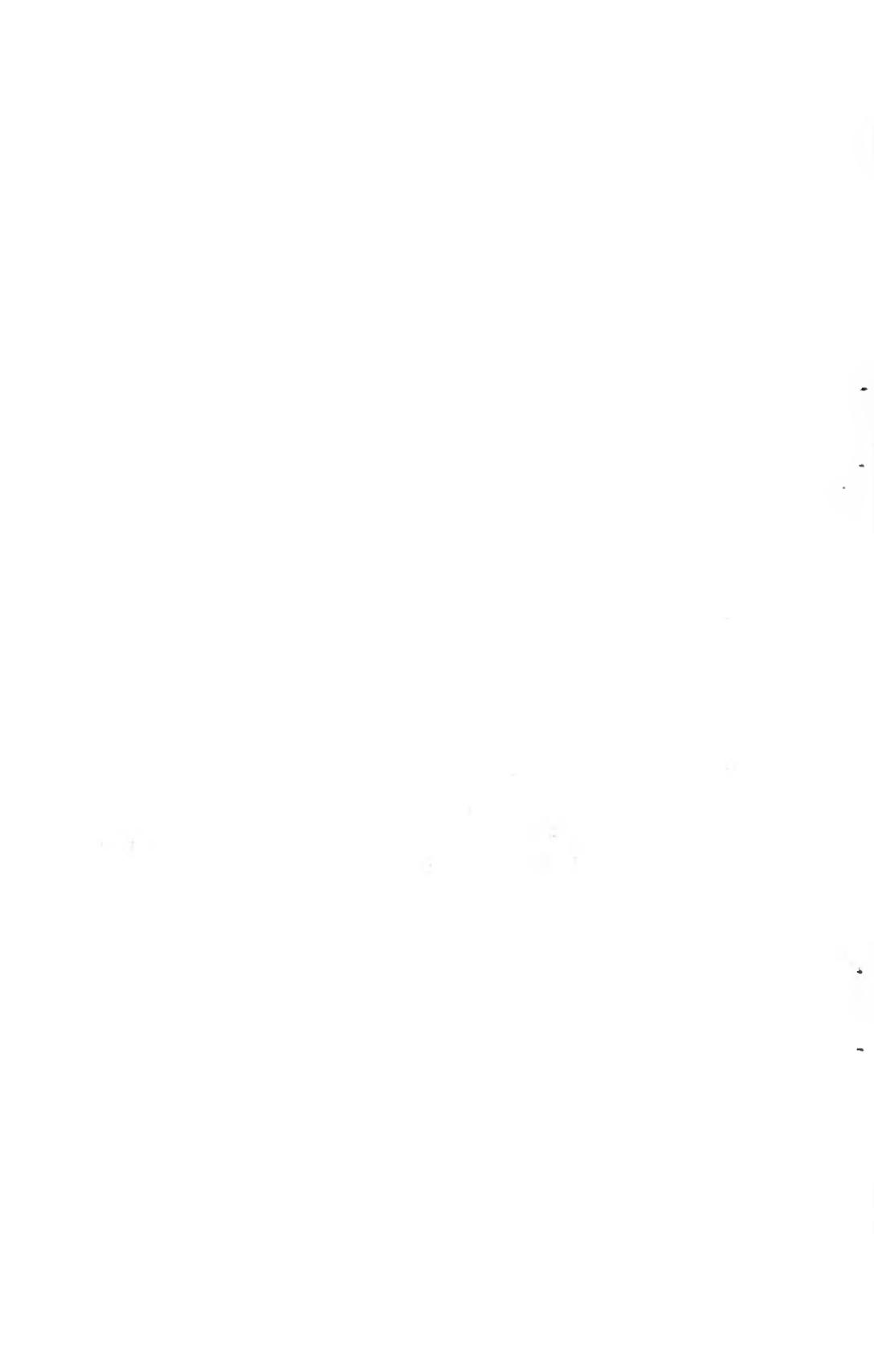
Mr. REILLY. No, I am not familiar with that.

Mr. JARMAN. If there are no additional questions: thank you very much, Mr. Reilly, for your testimony.

Mr. REILLY. Thank you.

Mr. JARMAN. The committee will stand adjourned until 10 o'clock next Tuesday morning.

[Whereupon, at 12:15 p.m. the committee was adjourned until 10 a.m. Tuesday, March 20, 1973.]



AIRPORT DEVELOPMENT ACCELERATION ACT OF 1973

TUESDAY, MARCH 20, 1973

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m. in Room 2322 Rayburn House Office Building, Hon. John Jarman (chairman) presiding.

Mr. JARMAN. The subcommittee will please be in order.

As we continue hearings on bills to amend the Airport and Airway Development Act of 1970 to increase the U.S. share of allowable projects costs under such act, and to amend the Federal Aviation Act of 1958 to prohibit certain State taxation of persons in air commerce, our first witness this morning is Eileen Halenza, president, National Passenger Traffic Association, Inc., of Minneapolis, Minn.

Mrs. Halenza, it is nice to have you with us this morning.

STATEMENT OF EILEEN HALENZA, PRESIDENT, NATIONAL PASSENGER TRAFFIC ASSOCIATION, INC.; ACCOMPANIED BY JOHN CALDWELL, ASSOCIATE COUNSEL

Mrs. HALENZA. Thank you, Mr. Chairman.

My name is Eileen Halenza and I appear in behalf of the National Passenger Traffic Association in my capacity as president of the association.

Mr. JARMAN. I note that you have a 12-page statement. We will be glad to receive it in full for the record.

Mrs. HALENZA. I will simply touch on the highlight of it.

I am accompanied by John Caldwell, the association's counsel. I am also manager of the travel department of this Pillsbury Co. in Minneapolis.

Our association represents 450 corporate travel managers, and our latest incomplete survey shows that we are involved in selling airline tickets for a total of \$1 billion.

We deal entirely and specifically with business travel. We are unconnected with any travel that is not for the business of our member corporations.

We have an association to protect the interests of the business air traveler, and we seek to foster the maintenance of sound conditions in the air transportation industry.

We are the most frequent consumers of air transportation and in that connection we have an immediate and direct interest in the legislation pending before this subcommittee.

On June 23, 1972, I presented testimony before this committee in support of then H.R. 2337. Unfortunately, the President vetoed the bill and I am here today simply to emphasize the urgent need for Congress to reaffirm its conviction that such taxes should be promptly banned.

Since the President's veto action over 41 local communities have imposed these varying head taxes and they are a major burden to the traveler and most especially to the frequent traveler.

The frequent traveler, the business traveler, is penalized and important business is delayed by the confusing hodgepodge of such local taxes.

Expanded use by local jurisdictions of head taxes as an overall revenue tool, related or not, to our airport costs, underscores the need for prohibition.

We feel that head taxes run counter to the constitutional privilege of travel and there is a basic matter of fairness involved here.

We are a major contributor to the Federal Airport and Airways Act Trust Fund and we pay again and again and again the substantial 8 percent Federal excise tax on airline passenger tickets. We firmly believe that it is fundamentally unfair to allow head taxes to harass and obstruct modern business air travel.

We feel that the rights of the business air traveler and other air passengers are entitled to protection, along with the needs of the localities. Our position is that we strongly support an immediate irrevocable prohibition of head taxes as absolutely necessary to the public interest.

There are several burdens that will be imposed on the business traveler and there are 10 reasons, major reasons why head taxes should be promptly prohibited.

They are discussed in full in my statement, and just to touch on them briefly, the larger the business enterprise, the more travel a company has, the more severe the impact of these taxes are, with the result that they become discriminatory against the frequent traveler.

We feel, as I have said, that we are substantially taxed at the Federal level and the revenues from such taxes are available for airport construction and approval.

The excise tax was raised 3 percent, from 5 to 8 percent, and as we understood, the key purpose of the increase was to finance airport improvements.

We feel that for airport construction and improvement the source for such funds should be a greater share of the Federal revenue and not a burdensome additional local tax.

We also feel that there is an inherent danger in the situation as it stands right now, because it could multiply at various levels within the State. And this head tax money can ultimately be used to finance nonairport services, street maintenance, fire protection, anything that the localities wanted to use it for.

We do not see that there is any assurance that a head tax would be leveled by one level of government within each State. The danger of this, of course, is obvious.

There is a severe delay and there is chaos and confusion, in the manner of the collection of this head tax. It is different in every city, different in every airport, the amounts are different and it can result in discouraging travel to these airports.

The business traveler will seek to avoid an airport that imposes head tax, not necessarily solely because of the additional financial burden, but to avoid the inevitable delay and frustration.

The air travel to these communities will be scheduled and routed on a circuitous basis to avoid taxing airports. Corporations and associations are going to avoid using cities with airports that have head taxes, because of the fantastic additional costs.

For example: In Philadelphia a convention for 500 people means an additional \$1,500 of financial burden. We just don't believe that our member corporations are going to use these cities with head taxes as sites for large conventions, because these taxes will increase the cost of these meetings.

It is going to reduce the air travel between cities where rail service is competitive because, to our knowledge there is no talk of a head tax on rail passengers.

We think the damage to the commuter airlines is really severe because the average commuter ticket is \$30 to \$35 and so many of the cities involved in the head tax are served by the commuter lines and there is going to be a real resistance, and already has been, to the cost of the ticket going up 25 percent basically from the original cost of the ticket, due to head taxes.

There is also the possibility that in the case of corporations looking for new places to locate regional offices, sales offices, and plants, when they see this additional tax it is just one more thing that might discourage them from seeking these sites.

Transportation costs are carefully considered in the location of a facility when a corporation is looking for a new place for an office or a plant.

Every additional financial burden and inconvenience discourages companies from establishing facilities at head tax cities.

We all, or most of us, have private airplanes. We are taxed on those. Our jet fuel Federal tax went up considerably recently. And so we have an additional tax with the use of our private airplanes.

We, briefly, gentlemen, strongly support abolition of local head taxes, because without such legislation we feel there would be no limit to the confusion and the financial burdens, inconvenience, delay, et cetera, by localities seeking to raise tax dollars.

And we strongly urge the subcommittee and the committee to recommend prompt adoption of a firm and a permanent ban on head taxes as in the best interests of an efficient and effective national transportation system.

Thank you very much for allowing us to appear.

[Testimony resumes on p. 129.]

[Mrs. Halenza's prepared statement follows:]

STATEMENT OF EILEEN HALENZA, PRESIDENT, NATIONAL PASSENGER TRAFFIC ASSOCIATION, INC.

Mr. Chairman, Members of the Subcommittee, my name is Eileen Halenza. I appear in behalf of the National Passenger Traffic Association, Inc. in my capacity as its President. I am Manager, Passenger Travel of The Pillsbury Company, Minneapolis, Minnesota. I have been actively engaged in work associated with the arranging of business air travel for a period of over 15 years. Prior to my present position as President of the National Passenger Traffic Association, Inc., I served as Chairman of its Airline Committee, and as Vice President. I have been a member of the Association's Board of Directors since its inception.

IDENTITY OF THE NATIONAL PASSENGER TRAFFIC ASSOCIATION, INC.

The National Passenger Traffic Association, Inc. (which I will refer to later in this statement as NPTA) is a nationwide, voluntary organization devoted to protecting and advancing the interest of the modern business air passenger. NPTA represents America's corporate travel managers who purchase airline tickets in excess of 450 million dollars a year for the business traveler, and hotel services—13 million room nights annually costing more than 250 million dollars—and car rentals of well over 100 million dollars a year. Annually, we arrange the travel for approximately 3 million business travelers, many of whom are from your Districts. NPTA is concerned entirely and specifically with business travel. NPTA members do not deal with the general public (or, in other words, we do not act as travel agents in arranging air travel for members of the general public), and do not handle air transportation unconnected with the business of our members.

In addition to protecting the interest of the business air traveler, NPTA seeks to foster the maintenance of sound conditions in the air transportation industry. We have in mind the needs of the country at large, the carriers, and the business air passengers who are consumers of air transportation. Our members, committees within NPTA, and officers, are actively engaged in studying and acting upon policies respecting air passenger transportation. In that connection, we have an immediate and direct interest in the legislation pending before this Subcommittee involving the prohibition of state and local head taxes on airline passengers.

PRIOR PASSAGE OF HEAD TAX PROHIBITION

During the last session of Congress, legislation was enacted which would have prohibited imposition of head taxes on the modern air traveler.

On June 23, 1972, I presented testimony before this Committee in support of H.R. 2337. Unfortunately, the President vetoed the bill containing head tax prohibition, S. 3755, as finally adopted by the Congress. I am here today to emphasize the urgent need for Congress to reaffirm its conviction that such taxes should be promptly banned. I note that the Senate has seen fit to prohibit head taxes by its recent adoption of S. 38.

Since the President's veto action, over thirty-five local communities have imposed varying head tax levies. These taxes are a major burden today to those business air travelers who must use the taxing airports. In most cases, the business traveler has no practical choice but to utilize particular airports on official firm business. Faced with diverse head taxes (from \$.50 to \$4.00), the business passenger is penalized and his important business delayed by the confusing hodgepodge of such local taxes. There is a real prospect of more serious wide-spread confusion and chaos unless these taxes are eliminated with finality by Congress.

Expanded use by local jurisdictions of head taxes as an overall revenue tool, related or not to airport costs, underscores the need for prohibition. In addition to the fact that head taxes run counter to the constitutional privilege of travel, there is a basic matter of fairness involved here. The business traveler is a major contributor to the Federal Airport and Airways Act Trust Fund. We already shoulder a significant responsibility for this fund. As business air travelers, we pay, again and again, the substantial 8% Federal Excise Tax on airline passenger tickets. Now we face the chaotic spread of variable additional taxes at local airports. We firmly believe it is fundamentally unfair to allow such taxes to harass and obstruct modern business air travel.

I would also point out that the rights of the business air traveler, and other air passengers, are equally entitled to protection along with the needs of localities. Each business passenger has a local base, the home of his firm or its branches. Head taxes are to that extent self-defeating because they burden local industry and local citizens who must travel frequently by air from and to the local airports. Also to be considered is the "domino" impact of such taxes on a multi-leg air trip, undertaken so often by the business traveler.

THE POSITION OF NPTA

NPTA strongly supports an immediate, irrevocable prohibition of head taxes as absolutely necessary in the public interest in order to protect the right of each citizen to utilize air transportation. NPTA accounts for a very substantial portion of the air traveling public, and its members firmly believe that head taxes will severely injure business air travel as well as the airline industry at large.

BURDENS AND HANDICAPS IMPOSED BY LOCAL HEAD TAXES ON THE BUSINESS AIR PASSENGER

In the first place, I would like to point out that in our view the air passenger should not be subjected to a local tax burden simply because he chooses air transportation. Significantly, no such local taxes apply with respect to bus and/or rail transportation, nor do such taxes burden the citizen's free access to our nation's sea-ports or highways. The exaction of varying and confusing local head taxes harass, impede and discourage business air travel. In many instances, the businessman has no realistic option but to travel by air because of its inherent advantage of speed.

There are at least 10 major reasons why head taxes should be promptly and unequivocally prohibited. These are discussed below.

(1) Head taxes will be a most severe burden on the frequent traveler, the business air passenger

The business air passenger is probably the most frequent traveler by air. Obviously, the larger the business enterprise, the more severe the impact of these type of taxes, with the result that the tax becomes discriminatory against business as such. The effect of the Supreme Court decision is to leave utterly to the assessing locality the discretion to impose differing taxes for the alleged purpose of financing airport construction and maintenance, either past or present. The effect is to discriminate against the business traveler who frequently has no realistic choice but to use air transportation on a nationwide basis.

(2) The business traveler is already substantially taxed at the Federal level, and the revenues from such taxes are available for airport construction and improvement

Since 1970, Congress has assessed an increase in federal taxes, arising from the Airport and Airways Act of 1970, in the amount of 8% federal excise tax levied on domestic air passengers. The amount of the federal tax was raised 3%, from 5% to 8%, and a key purpose of the increase was, so we understand, to finance airport improvements.

If there is a need for each local community to obtain additional funds for airport construction and improvement, the source for such funds should be a greater share of such federal revenue, and not burdensome, additional local taxes which will harass and impede business air travel.

Communities operating airports derive substantial benefits, monetary and otherwise, from volume air passenger transportation. In NPTA's view, these tangible benefits, such as the location of industry, tourist travel, conventions, meetings, inspection tours, etc., must be considered at least in part as justifying local absorption of expenses incident to airport maintenance and improvement.

(3) Local head taxes could multiply at various levels within each State

It is entirely possible that head taxes might be levied by more than one branch of local government and ultimately used to finance various non-airport services, including street maintenance, police and fire protection, education, etc. There is no assurance that a head tax would be levied only by one level of government within each state. There is no assurance that the revenues from the tax would be limited to airport construction and maintenance as such. The door has been left open by the Supreme Court decision for local recovery of past deficits incurred for airport construction, with no requirement that present head taxes be earmarked for current airport programs. Also, there appears to be no restrictions on taxing the passenger in both directions. This would result in a triple tax burden on the business traveler, who would pay the excise tax and two local taxes on the same trip to and from the same airport.

There is a realistic specter of layers of local taxes with resulting confusion and serious interference with air travel, unless Congress takes necessary action to prohibit these taxes.

(4) Assessment of head taxes at different airports within different States will result in severe chaos and will discourage business travel

Airports assess differing tax levies in the form of head taxes. These vary both in amount and in terms of collection procedure. The business air traveler is being seriously delayed by collection procedures at airports which are already severely congested.

Localities seeking to assess head taxes rush to impose the tax, without any serious consideration as to the method and manner of collection. Some airports collect through their staff while others leave this to the carriers. The result is a confusing hodge-podge which will inevitably delay, irritate, frustrate, and unfairly penalize business air passengers. In such a climate of confusion and harassment, the air passenger will tend not to purchase items and/or services at the airport, and he may refuse to tip, or to use the services of various employees such as redcaps, starters, and/or cab drivers. This could have the effect of shifting part of the burden of the impact of the head tax from the traveler to the local service employee, with the result that the locality merely shifts revenue from one pocket, that of the service employee, to another, that of the locality.

(5) Local head taxes will discourage use of municipal airports which have such taxes

Business air travelers will seek to avoid airports which impose head taxes, not necessarily solely because of the additional financial burden, but to avoid the inevitable delay, frustration, and inconvenience resulting from the collection of such taxes. Air travel will be scheduled and routed on a circuitous basis to avoid taxing airports.

(6) Corporations and associations will avoid using cities with airports which have head taxes

Another impact of the head taxes is that major corporations and associations will, whenever possible, attempt to avoid cities with airports imposing such taxes. Associations and other organizations may well eliminate such cities as meeting and convention sites. As an example, a convention in Philadelphia for 500 would involve an additional \$1500 of financial burden. Unless eliminated, the effect of head taxes will be to restrain very important nationwide business activities.

(7) The impact of head taxes will reduce air travel between cities where rail service is competitive

The unstable and generally unsatisfactory financial condition of the airline industry is well known. The impact of the head taxes will reduce air travel between cities such as Boston/New York and between Philadelphia/Washington, D.C., where rail service is efficient and competitive. A similar effect will result at cities connected by close and effective rail transportation all over the country. In NPTA's view, it would be undesirable to permit local communities to harass the air traveler with a possible dampening effect on air passenger transportation at a time when the airline industry is seeking to improve its overall financial condition.

(8) Head taxes could severely damage commuter airlines

Short-haul commuter airlines serve many so-called pair cities, that is, cities which are close to one another and fairly well connected by land and air transportation routes. The average ticket cost for such commuter airline services ranges, approximately, between \$35-\$40. Passengers on such airlines would probably not be willing to add \$2 to \$4 in taxes to these ticket costs. Again, the head tax will discourage the use of these types of airlines, due to the impact on the ticket costs involved.

(9) Head taxes will discourage the location of corporations within States or cities which impose such taxes

Head taxes, if permitted to continue and spread, will also obstruct and deter corporations from seeking new sites for regional offices or new plants. Transportation costs are carefully considered in the location of such facilities. The additional financial burden, inconvenience and harassment, of these taxes will discourage companies from establishing facilities at head tax cities to the long term disadvantage of those taxing localities.

(10) The taxing localities have recovered additional funds through increased taxes on private planes

Some NPTA member companies own and operate private planes. Within approximately the past year, there has been an increase in the federal tax on jet fuel from 4 to 7 cents per gallon. This source of additional federal revenue is also available to help local communities.

CONCLUSION

NPTA strongly supports prohibition of local head taxes because without such legislation, there will be no limit to the confusion, financial burdens, inconvenience, delay, and other handicaps imposed on the business air traveler by localities seeking to raise tax dollars. The head tax unfairly penalizes the business air traveler and restricts his right of free travel, as well as that of the general public. In the long term, the head tax will have a curtailing effect on business travel by air. NPTA strongly urges the Subcommittee and the Committee to recommend prompt adoption of a firm and permanent ban on head taxes as in the best interest of an efficient and effective national air transportation system.

I wish to express our thanks for the opportunity to present our views on this important subject. I thank you for your consideration.

Mr. JARMAN. Thank you for a very good statement, particularly your reference to the effects of the head tax on commuter air travel, which is injecting a new aspect of this problem.

Mr. Kuykendall?

Mr. KUYKENDALL. Yes. I wanted to particularly note that. Because at first, of course, you were talking about long-range travel and corporate expense, which is fantastic, but percentagewise the commuter traveler—there we have had some horror stories in Allentown, Pa., for example, and Philadelphia. Our local airport manager was quoting that to me the other day.

Mrs. HALENZA, when we first set up the Airport-Airways Trust Fund, we pointedly stayed out of the area of terminal construction. And when we reworked the Airport-Airway Construction Fund for use of the FAA, we again avoided this use of trust fund moneys for terminal construction.

Of course this left the runways, the aprons, the safety systems, the airways, all this and safety.

Now, in so doing we said: "Well, we will leave a local tax base for the local government to use." Obviously, at that time we did not have in mind the proliferation head taxes.

If our trust fund actuarial figures are not accurate, and we need another half percent on the ticket, would you prefer this approach to the head tax?

Mrs. HALENZA. You are talking about the 8 percent on the ticket?

Mr. KUYKENDALL. I happen to be one who thinks there is slack for this in the trust fund now. But let's say there is not. Then do you propose that we go ahead and adjust it there, instead of a head tax?

Mrs. HALENZA. Yes. My own personal opinion would be that it would be more acceptable and fair at that point only because of the danger and the fear that our association has in the head tax situation—that there is no control over it. It is not the same every place. The method of collection leaves a great deal to be desired.

And I think if you were giving me an either/or, I would have to say that an addition on the tax at that point would seem to me to be a fairer and an easier thing to police.

I fear the head tax for many other reasons.

Mr. KUYKENDALL. A little bit of a philosophical question here: you suggested of course that the local community might be defeating its own purpose. Is that not up to the local community?

Mrs. HALENZA. I guess it is.

Mr. KUYKENDALL. I have marveled at some of their shortsightedness on this particular issue. I am glad you brought up the figures on what a convention would cost additionally in Philadelphia.

Mrs. HALENZA. And they are losing the revenue from the 500 people who visit their city, in addition.

Mr. KUYKENDALL. So you would urge here, that in conjunction with banning the head tax we make whatever adjustment is necessary in the percentages covered out of the trust fund to adjust equitably?

Mrs. HALENZA. I would never urge you to raise taxes of any kind but you gave me an either/or situation.

Mr. KUYKENDALL. Well, you always have to be in an either/or situation, because actually these communities are spending this money for airport purposes—now, we are much distressed by some of them that are not spending for airport purposes.

Mr. JARMAN. Mr. Shoup.

Mr. SHOUP. You appear to be supporting prohibition of local head taxes. You realize that there are some 44 now—

Mrs. HALENZA. Forty-one is the last figure I had. It could be 44.

Mr. SHOUP. It is 44 now. They move fast at the local level. Your recommendation is that we roll back, so that there will be no head taxes? Those in existence, you would recommend legislation to abolish those, too?

Now, I noticed that you addressed yourself to only one portion, this was the head tax matter. Does your organization have any feeling as to the use of trust funds, the sanctity of this trust fund, as to where it shall be used? I notice there is nothing in your statement that goes to that.

Or, would you prefer just to comment on head taxes alone?

Mrs. HALENZA. I may not have touched on it, but I believe in my statement we do recommend that an adjustment be made in the ratio.

Mr. SHOUP. If I may then ask you specifically—and if you prefer not to get into it, I hope you will just “take the fifth.” With regard to such a thing as use for terminal improvement, the 8 percent which your people are paying, does your organization feel that this is a legitimate use, for terminal improvement? At present it is not allowed.

Mrs. HALENZA. I believe that is what we have said; yes, that that is where the money should come from for airport and airways improvement.

Mr. SHOUP. To clarify what I was asking: Some of the bills that we have before us enlarge the permissible use of the trust fund moneys—I can understand what you are saying about what presently is allowed, but one of the things it cannot be used for is for terminal improvement.

Does your organizations then support the use of it on the same level as other facilities within an airport that are allowed now? Do you think this would be a qualified use?

Mrs. HALENZA. I would think that would be a qualified use; yes.

Mr. SHOUP. I was glad to hear you say this, because I do quite a bit of traveling myself and I can recall, and I do today still recall, landing at airports in which you do not have the snorkel-type thing, the complaint of the traveler, the businessman, that he has to get out in the rain and walk on in.

And this is where, of course some of this 8-percent money would be going.

Mrs. HALENZA. Right.

Mr. SHOUP. I have no further questions, Mr. Chairman.

Mr. JARMAN. We appreciate very much your being with us, Mrs. Halenza and Mr. Caldwell.

Mrs. HALENZA. Thank you.

Mr. JARMAN. Our next witness is Mr. Arthur J. Fallon, president of the American Association of Airport Executives, with offices here in Washington.

STATEMENT OF ARTHUR J. FALLON, PRESIDENT-ELECT, AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES; ACCOMPANIED BY F. RUSSELL HOYT, EXECUTIVE VICE PRESIDENT

Mr. FALLON. Good morning, Mr. Chairman.

Mr. JARMAN. I understand you are accompanied by Mr. F. R. Hoyt. What is Mr. Hoyt's position with the association?

Mr. HOYT. Executive vice president.

Mr. FALLON. We appreciate this opportunity, Mr. Chairman and gentlemen, to present our views before the Subcommittee on Transportation. I have been here in the past on other issues and have found this committee a very, very good committee for the airport operators to work with and we appreciate your aid.

Incidentally, Mr. Chairman, you promoted me to president 3 months before our annual meeting. I am only president-elect now and Mr. Hoyt is the executive vice president of the association.

Mr. JARMAN. We are just assuming that is a fait accompli.

Mr. FALLON. We have within the membership of the American Association of Airport Executives, the professional managers of the Nation's airports, from the large terminal types to the smaller ones, with relatively low levels of airline service, as well as the managers for many of the airports which serve general aviation exclusively. I would attempt to present a broad consensus of the views of the membership, ranging from large to small. I will limit myself to dealing with four of the main provisions of the proposed amendments to the Airport and Airways Development Act.

INCREASES IN THE FEDERAL SHARE OF ALLOWABLE PROJECT COSTS

First, as to the increases in the Federal share of allocable project costs: We strongly endorse the provision which would increase the share to 75 percent for airport development projects. The 50-50 matching basis, which we have now, is a carryover from the old Federal aid to airports program, which relied upon appropriations from the general fund. The Federal portion now is derived from the trust fund, fed by charges imposed upon the users. Consequently this trust fund could and should support a higher participation. The highway trust fund for many years, of course, has operated at a 90-10 ratio.

Sponsors are experiencing increasing difficulty matching the present 50-50 arrangement. The higher Federal share will ease this problem. It will encourage the needed expansion and improvement of the airport system. In this connection it is important to remember that a

75-percent Federal participation does not mean that the sponsor will then only be responsible for 25 percent of the funds needed for total airport development. Terminal area, most airport access, and many other important elements of the whole airport facility currently must be 100-percent funded by the airport sponsor.

I think we may have in our files—the Federal contribution as contrasted to local contribution at terminal airports, but I think you will find, gentlemen, that it is a considerably lower figure that is generally believed, because people, I think feel that 50 percent of the capital investment in airports has come from the Federal Government. And that figure, of course, is not so. It would be much closer to 10 percent, in my estimation.

We did suffer an economic downturn. However, last year and for a quarter of the year before, the airline passenger traffic built up to the point where once again we are beginning to run into congestion at airports that have not been previously called congested airports. Improvements are required.

The bills under consideration call for an increased percentage, up to 82 percent, for those items necessary to meet certification and security requirements. We must strongly support this feature. These requirements, of course, have been imposed by Federal law. We testified previously that many airport managers have had and are still having serious problems in attempting to justify to the local taxpayers and the sponsors the significant expenditures necessitated by these programs. We find little justification in crash fire service or 8-foot perimeter fences, particularly at the lower activity airports. Neither past experience, probability, nor safety recommendations can support some of the requirements. Nonetheless, they are requirements and we are all attempting to meet them.

As a determination has been made at the Federal level for such equipment and material, then we believe the Federal Government should bear a significant proportion of the cost. This is particularly true because capital costs, the only costs that this legislation deals with, are just the beginning. The real issue is the recurring costs of operations and manning. Even the smaller airports may be able to meet the one-time cost of, say, the purchase of a fire truck or the remodeling of the terminal corridor. It is the manpower requirements, the necessary firemen and policemen, on a double or round-the-clock basis daily, 7 days a week, that send the airport expenses skyrocketing.

Let me say parenthetically to that, gentlemen, that using my own airport as an example, we will acquire, in order to meet the new Federal requirements, one additional piece of fire equipment. We have not taken bids, but I would estimate that would cost a little upward of \$100,000 a year and we will hope and expect that we can secure Federal aid for that. Nonetheless, we will write that off, our share of it, over a period of years.

For manpower, we are now getting close to the \$600,000-a-year level at an airport the size of Buffalo, purely and simply for the manpower and the crash fire rescue station. I mention that as a single example to illustrate the point that we are making here, and that is that these increases in Federal aid, welcome though they are, do not solve our problem of operating airports, but go far beyond the capital investment.

Not only will the airport operating costs increase because of the Federal certification requirements, however, we feel that inevitably, to carry out the inspection requirements, the various Federal requirements, the Federal bureaucracy will, of course, continue to grow. The act reads that any airport serving air carriers certificated by the CAB must have a Federal certificate. The FAA is now processing applications and issuing certificates to the 500 airports that receive scheduled air carrier service. But just last week this regulation took a giant step forward. Proposed rulemaking would extend the certification requirements to any airport that might, at some future date, receive an occasional or even one charter or nonscheduled flight. In our opinion this is proliferation of a requirement that perhaps was unnecessary in the first place. It will, of course, limit any charter or special flight to only those airports which have at some earlier date applied for and received a certificate.

The fact of the matter is that at many airports there is no way that they are going to be able to apply for a certificate, because there is no way in which they are going to be able to meet their share of the costs required to secure the certificate.

These rapidly increasing operating costs mean that any excess of revenues over operating expenses, which often is the source of matching funds, vanishes, thus making it impossible for the airport to expand or improve its facilities. This isn't a theoretical generation but it is rather based on specific figures. We have attached to our statement an appendix which includes the summary and worksheets from the survey of a smaller air carrier and general aviation airports, the airports that serve the so-called small and nonhub communities. I will refer to this survey in more detail but I would ask that this appendix be included in the record.

Mr. ADAMS [presiding]. Without objection the appendix referred to will be included in the record at the conclusion of your statement. [See p. 135.]

Mr. FALLON. Thank you.

We are particularly pleased to note the committee's understanding of the dilemma that airports face with respect to purchasing the required certification of security equipment. The moment a higher participation is proposed the airport sponsors become reluctant to make purchases with only 50-percent Federal participation, when, by protracting they could possibly receive a significantly higher percentage. The provision allowing the payment of a higher Federal share in any grant agreement entered into after May 10 or September 28, 1971, for certification or security equipment, respectively, recognizes this fact. It will serve not to penalize those airports that are promptly acquiring the required equipment, and I believe most of us now are proceeding and relying and hoping that this particular section will be adopted.

EXTENSION OF CONTRACT AUTHORITY

The Airport and Airways Development Act contains the 3-year contract authorization. This has proven to be an excellent feature. It has permitted airport sponsors for the first time to have some assurance that Federal matching funds will be available for more than 1 year. The previous 1-year off-again, on-again appropriation system

made intelligent airport planning and development extremely difficult. The multiyear authorization expires at the end of fiscal year 1973. We hope that action will be taken to extend this excellent provision of the act. Failure to continue the program beyond 1973 would, of course, cause a very serious disruption in the expansion and improvement of the Nation's airport system.

LEVEL OF FUNDING

With respect to level of funding, the various bills under consideration differ as to the annual airport authorization level. The present \$280 million for airports we feel should be increased at least 25 percent to take care of the proposed increase in Federal participation from 50 to 75 percent. If we do the one and not the other this will simply mean that the same amount of money would go to fewer airports or would construct fewer facilities. We do not believe this is the intent of Congress. We see no reason to accumulate the funds now that the income to the fund is, we think and believe, exceeding the spending levels.

PROHIBITION OF PASSENGER SERVICE CHARGES

We would urge the House to take no action that would prohibit the airport operating community from imposing reasonable charges on passengers, provided such charges are based on the cost of providing airport facilities and dedicated to defraying such costs. Airports need assistance in meeting their capital needs. They also must find ways of meeting their rapidly increasing operating costs. An increase in the Federal participation in ADAP is not necessarily an equal tradeoff with the head tax issue. To offer one and deny the other we believe would be establishing a new precedent. The highway trust fund is built up from user charges collected by the Federal Government, which in turn allocates money for capital highway expenditures at a 90-to-10 ratio. However, in order to operate and maintain the Interstate System as well as build other highways additional user charges are imposed by lower levels of government.

As the airport operating plant increases to meet the growth of aviation, its operating costs will increase. Added to this normal growth in operating costs are those substantial increases brought about by the necessity of meeting the federally mandated certification and security requirements.

I mentioned earlier the survey conducted by AAAE concerned with the financial health of the smaller air carrier airports. These airports combine to make up a true airport system. They total over 70 percent of all air carrier airports, yet they generate only 16 percent of airline passengers. In fact, 430 of the 500 airports receiving scheduled airline service are classified as "small" or "nonhubs." Recent figures submitted by these airports indicate that of the 130 nonhubs reporting, only 10 are able to meet all their costs.

In other words, over 93 percent of them are being subsidized in varying degrees by the local taxpayers. To make matters worse, the impact of increased operating costs due primarily to certification and security requirements will substantially increase the subsidy requirement beginning this year. We are not taking the position that local

subsidy of the airport is unjustified. We cite these figures primarily to emphasize the fact that the great majority of airports do not meet their costs, are not able to pass many of their costs on to the airlines serving them, and therefore must rely on local tax moneys.

Ever-increasing demands on the tax dollar make it difficult for the airport-owning communities to increase airport subsidies. Therefore, there is a very real danger that airline service may disappear from the smaller and often isolated cities. This loss of service will not occur dramatically—all at once—hence making an impact that might call for national remedial action. Rather, it will occur as many of the lower-activity airports, one-by-one, find the “price” of staying in the airline system too high. The long-range impact on our national transportation system will be serious.

This concludes our prepared text. I thank you for this opportunity to state our views. I shall be very pleased to answer questions.

We have cut down on the length of this statement purely and simply in the expectation that we may be able to produce answers for you if you have questions, rather than to try to cover them in the written statement.

[Testimony resumes on p. 144.]

[The attachment to Mr. Fallon’s statement follows:]

THE SMALLER AIR CARRIER AIRPORTS: A FINANCIAL REPORT

In January of 1973, AAAE surveyed the airports with regard to their financial “health.” The survey form was kept as simple as possible consistent with gathering information on the amounts of money, over and above airport generated revenues, required to meet operating costs and capital expenditures. A copy of the questionnaire is attached.

The compilation of the financial data received was also kept as simple as possible. Returns were received from 60 of the larger airports serving general aviation exclusively: from 130 of the 350 non-hub¹ airports—approximately 37%; from 58 of the 88 small-hub¹ airports—approximately two-thirds. The remainder of the 500 airports served by certificated carriers—the large and medium hubs¹—of which there are 62 or 12% of all air carrier airports—were not included.

Looking at the returns from the non-hub airports, we find that 64 of the 130 have sufficient revenues to meet their operating costs; however only 19 report revenues sufficient to cover both operating and capital costs. This nineteen is reduced to only ten if allowances are made for the costs of services now furnished the airport by another public agency on a “no cost” basis. For example, at some airports fulltime firemen and/or fulltime police are provided for exclusive use at the airport with the cost thereof being absorbed by the community as a whole. This in effect indicates that 120 out of the 130 reporting are presently being subsidized in varying degrees by their sponsors—that is, by the taxpayers of the governmental jurisdiction which owns and operates the airport. We might add that when the anticipated substantial costs of meeting the Federally imposed security and certification requirements are considered, seven of the ten airports which are presently financially self-sufficient will operate in the “red.”

As noted above, returns from 130 of the 350 non-hub airports were received. Based on past survey experience and a check of the individual returns, it is safe to assume that these 130 airports are primarily the busier ones among the 350; hence the ones that generate more revenues. On this assumption, if only 19 of the 130 produce sufficient revenues to cover their expenses, then few if any of the unreported non-hub airports meet their expenses.

The financial picture is a little better when the reports from the small hub airports are reviewed. Thirty-four of the 58 reporting—or 60%—meet their operating costs. However only 18 manage to meet both operating costs and capital expenditures. Of these 18, nine of them receive significant amounts of

¹ See attached U.S. *Air Carrier Airports* sheet which carries an explanation of the hub classifications.

"free" services (firemen, police, maintenance men) from other public agencies for which they are not charged. If the anticipated costs of meeting Federal certification and security standards are examined, we find that only six out of the 58 small hub airports will be financially self-sufficient.

U.S. AIR CARRIER AIRPORTS

524 airports in the United States handle airlines on a regularly scheduled basis. Of these 524 airports 464 or about 90% are classified as small or non hubs (see explanation below) because of the small number of airline passengers which travel through these airports. Specifically these airports generate only 16 percent of the total number of airline passengers in the United States. (See note below)

The tabulation below is presented to show that the great majority of air carrier airports have very low passenger traffic and consequently a low revenue potential in comparison with the large airports which are normally associated with the term "air carrier airport."

Note.—This total of 524 airports may be nearer 500 if the following airports are eliminated: those airports receiving limited seasonal service; those airports now receiving substitute scheduled commuter service.

U.S. AIR CARRIER AIRPORTS

Hub category	Number of certified points by category	Cumulative number	Percent of certified points by category	Cumulative	Percent of total passenger enplanements by category	Cumulative
Large.....	22		4.2		65.3	
Medium.....	38	60	7.3	11.5	18.9	84.2
Small.....	84	144	16.0	27.5	9.1	93.3
Non.....	380	524	72.5	100.0	6.7	100.0

According to FAA classification, a "hub" is a community (not just an airport) which receives certified scheduled airline service.

A metropolitan area which originates at least one percent of the total U.S. enplaned passengers is in the large hub category; one which originates between 0.5 and 1.0% of total enplanements is a medium hub; one which originates between 0.05 and 0.24% is a small hub; and a community boarding less than 0.05% of total enplanements is classified as a non-hub.

Explanation of Column Headings:

- 1) Code number of airports which filed returns.
 1. A to BB are airports without certificated airline service.
 2. 1 to 199 are non-hub* airports.
 3. 200 series are small hub airports.
 - 2) Total revenues received during the airport's last fiscal year.
 - 3a) Lists the excess of operating costs over operating revenues, i.e. the amount that the airport is "subsidized" by its sponsor to meet operating costs.
 - 3b) Lists the amount of "subsidy" (over and above any that may be listed in 3a to cover operating costs) received from the sponsor to meet capital expenditures.
 - 4) A check mark in this column indicates that the airport receive "subsidy" in the form of services from other public agencies for which it does not pay. These can vary from such costly services as full-time firemen or police to such services as snow removal and pavement maintenance.
 - 5a) The estimated annual additional operating costs to meet the Federally imposed certification and security requirements.
 - 5b) The estimated annual additional capital outlays to meet certification and security. (Note: There was some confusion in reporting on this item as some airports correctly gave the annual cost of the equipment or other capital outlays, whereas other airports listed the total "one-time" cost of such outlays.
 - 6) A check mark in column indicates that although the airport is meeting both its operating and capital costs, the level of revenues will not be sufficient to cover the anticipated increased costs occasioned by certification or security.
 - 7) The number of scheduled flights per day (for those general aviation airports served by scheduled commuter airline).
- General: All figures in columns 2 through 5b are in thousands of dollars.

W.S. 1

1	2	3a	3b	4	5a	5b	6
1	12	26	17	x	8	25	
2	219		4	?	50	50	
3	90	100	260	x	60	200	
4	48	55	200	x	43	70	
5	155	45	160	x	80	120	
6	306		23		75		
7	562				80	250	x
8	97				25	22	x
9	16	72	22	x	37	50	
10	58				25	20	x
11	122			x	120	90	x
12	60	31	60	x	35	225	
13	55	145	60	x	125	25	
14	88	345	73	x	20	130	
15	627	422			40	5	
16	59	6	2		10	45	
17	410	37	85	x	110	210	
18	39	2	15	x	25	15	
19	232	18	249	x	25	200	
20	159		2	x	12	1	
21	194		6	x	188	38	
22	20		66	x	9	5	
23	25		147	x	69	90	
24	139		65		30	10	
25	16	38	4	x	6	15	
26	1345				300		x
27	45		?	?			
28	672	229	94		29	84	
29	54		160		14	40	
30	500		272	x	?		
31	307	176	508		85		
32	120	29	69	x	55		
33	110	43			40	155	
34	90		14	x	20	50	
35	136		51	x	70	15	
36	248	47		x	151	177	
37	67	49	125		6	14	
38	44	50	79		62	256	
39	53	37	23	x	33	87	
40	142	19	127		30	100	
41	29	7			35	45	
42	20	30		x	?		
43	62	33	47		20	100	
44	184	16	?	x	?	?	
45	81	18	5	x	33	51	
46	41	39	10				

W.S. 2

1	2	3a	3b	4	5a	5b	6
47	42	35	?		22	6	
48	130	5	?	x	20	10	
49	75	40	97		21	4	
50	124	90	279	x	35	180	
51	62	38	26	x	13	95	
52	274	39	?	x	75	36	
53	65	91	?		20		
54	23	222	173	x	3	25	
55	237	72	?	x	5	17	
56	93	29		x	48	66	
57	62	3	58	x	10	45	
58	97	37	129		40	150	
59	123	115	125		25		
60	43	20	94		17	60	
61	21	37	71		40	114	
62	158	95	139	x	60	25	
63	31	44	150	x	32	42	
64	50	51			?		
65	34		10				
66	160		13	x	40	7	
67	335		400		31		
68	89		49		25	35	
69	119		126	x	10	15	
70	314		55	x	9	?	
71	177		89	x	74	15	
72	560			x	45	240	x
73	442				135	225	x
74	261		17		50	15	
75	32	8	75	x	63	40	
76	73	27	41	x	30	15	
77	24	9	?				
78	34		14	x	?		
79	63		193		50	11	
80	70	10	260	x	11	200	
81	48	5	?	x	?		
82	24	39	?			100	
83	273			x		60	
84	385	2	?		50	100	
85	137	92	129		16	348	
86	29	25			?		
87	20	18			4		
88	329	15	170		40	225	
89	29	22	33		10		
90	41		?	x	7	6	
91	112			x	25	25	
92	241		50	v	--		

W.S. 3

1	2	3a	3b	4	5a	5b	6
93	298				60	300	x
94	176	10	421		60	135	
95	91		125	x	60	75	
96	144		17	x	11	5	
97	169		5	x	25	34	
98	607		?	x	78	37	x
99	338				21	?	
100	30			x	20		x
101	178				76	59	x
102	125		?		6	14	x
103	414	100	50	x	150	145	
104	68	16	4	x	?		
105	50		86	x	7	5	
106	47	67		x	12		
107	619	251	166		153	78	
108	319	104		x	55	125	
109	8	2	16		?		
110	22		?	x	10	150	x
111	149	?	?	x	73	?	x
112	80		59	x	4	26	
113	79	6	x	8	25		
114	10	5	?	x	?		
115	164		12	x	12	2	
116	53	5	?	x	66		
117	72			x	16	15	x
118	70	21	?	x	28	170	
119	213			x	?		
120	4	8		3			
121	57	8	35	x	20		
122	181		?	?	25	20	
123	177		44		65	142	
124	22	17		?	17	18	
125	118		70		?	25	
126	?		38		46		
127	?		106				
128	80	12	50	x	75		
129	270		240	x	180		
200	607				50	75	
201	554		275	x	125	145	
202	755		224		100	125	
203	257		320	x	89	°	
204	272						

W. S. 4

1	2	3a	3b	4	5a	5b	6
205	408			?	60		x
206	589	62	525		120	175	
207	600	140	140		80	?	
208	226	61	121	x	101	10	
209	865	352	382	x	11		
210	300	75	105	x	250	10	
211	336	14	180		150	75	
212	311	101	444		10	35	
213	124	56		x	90	150	
214	288	79	126		60	175	
215	140	272		x	25	10	
216	679	218	492	x	40	15	
217	217	93	619		50	300	
218	400		122	x	30	60	
219	3184		180	x	50	100	
220	618		316		60	300	
221	364		330		?		
222	1389				200	?	x
223	2877				180	40	
224	1214				225	10	
225	1573				254	250	
226	569		100		123	450	
227	205		90	x	90	120	
228	255		526		45	10	
229	225	90	200		70	150	
230	970	121		x	100	70	
231	657	102		x	35	50	
232	529			x	100	113	
233	472	211	100	x	249	478	
234	300	114			100	60	
235	545	?	?				
236	526			x	80	10	x
237	242	98			20	14	
238	730		?		15	15	x
239	346			x	250	10	x
240	647			x	75	12	
241	1159			x	90	91	x
242	235				120	15	x
243	3648				250	?	x
244	326		12		200	50	
245	958			x	52	73	x
246	541				45	55	
247	1279		24		36	10	
248	295	10	?		36	25	
249	525		350		60	??	
250	???						

W. S. 5

1	2	3a	3b	4	5a	5b	6
251	1255	240	440	?	?	?	
252	1142	243			36	7	
253	330		40	x	140	17	
254	277				30	?	
255	781	363		x	45		
256	267	9	230		50	90	
257	770			x	140	20	

1	2	3a	3b	4	7
A	77	2		x	7
B	24		?	?	
C	316	45	?		
D	50	1	22	x	
E	146	84	500		
F	144	1035			
G	312	50			
h	2	8			
I	504		202		
J	?	172	62	?	
K	44	21	50		
L	122	57	59		
M	19	11	50		2
N	1	14	5	x	
O	960	140			25
P	2	6			
Q	31	57	69	x	5
R	31	22	45		5
S	44	6	114	x	
T	29	42	65	x	
U	284				
V	114	51			
W	23	4	44	x	2
X	57	260	62		
Y	347	92		x	
Z	61	39		x	
AA	264		141	x	
AB	219		64		
AC	175		36		
AD	326		150		
AE	83		?	?	
AF	1500				

W. S. 6

1	2	3a	3b	4	7
Ah	13	3	132		
AI	12	10	412		
AJ	37	6	71		
AK	21	12		x	
AL	27	13			
AM	37		?		
AN	1043	85			13
AO	394	1748			
AP	262			x	2
AQ	351			x	
AR	158		?		
AS	146	6	10		40
AT	250			?	
AU	30	4	60		
AV	902				
AW	312				
AX	1300				
Ay	420				
AZ	80	36	98	x	6
BA	20		19	x	

Mr. ADAMS. Mr. Kuykendall?

Mr. KUYKENDALL. Welcome down from Niagara. Are you having one of these warm winters up there, too?

Mr. FALLON. We had 12 inches of snow yesterday.

Mr. KUYKENDALL. That fits in. We have had 12 inches of rain recently, I think.

We have one airport that is going to have problems—Chattanooga. By the way, they have a head tax.

You are suggesting an increase of 50 to 75, similar to the bill that was vetoed last year, of course.

Mr. FALLON. Yes, sir.

Mr. KUYKENDALL. You may or may not have noticed this particular provision. When the Senate passed the bill they made the 75 percent mandatory. The compromise version that came out of conference had an option. Are you of the opinion that this discretion should be given to the Secretary in order to make the money go further? Allow 75 but make 50 mandatory?

Mr. FALLON. My natural caution would indicate that that would not be a desirable provision. I can see an awful lot of backbiting going on between airport operators.

In one instance, 75 is given and in another instance 50 percent is given, possibly for good reasons in the opinion of whoever made the determination, but certainly not good reasons in the opinion of the local people. I think we would be headed for trouble unless, along with it, were some pretty definitive methods of determining when it should be 50, when 60, when 65, et cetera.

Mr. KUYKENDALL. Well, we are really torn here. Of course we don't spend much of our time worrying about the Secretary being caught in a crossfire. That is the reason he is Secretary, to take care of those crossfires.

But we look for every chance we can to get more worth out of the dollar, and this would be one of the reasons we would consider this.

You spoke a while ago about the figures in the legislation as authorizations. Let me suggest you go back and reexamine. Those are not authorizations; those are minimums. An authorization is a maximum.

Mr. FALLON. I understand.

Mr. KUYKENDALL. You see, this trust fund does not have to go through the Appropriations Committee. And I think we made a serious mistake in putting that figure in as a minimum, because it has been treated as a maximum ever since.

Mr. FALLON. As I recall, this committee considered that matter about a year ago.

Mr. KUYKENDALL. We intended it to be a minimum, and it has been a maximum ever since. And I am afraid that the OMB and the Department have taken this figure and treated it as an Appropriations Committee maximum.

Mr. FALLON. We think so too, sir.

Mr. KUYKENDALL. Well, finally they have come up to and are spending this total amount but they still treat it as an exact amount. Even though they have full authority under the law to spend the full income of the fund.

Oh, you mentioned some figures a while ago about the total cost of running an airport. Could you get those for us for the record?

Mr. FALLON. I would be happy to.

Mr. KUYKENDALL. I ask unanimous consent that they be included in the record.

Mr. FALLON. Of course you realize they will vary from airport to airport throughout the whole system.

Mr. KUYKENDALL. We would like to have a mean across the country. And certainly everything varies.

Mr. FALLON. Do you have a mean?

Mr. HOYT. In the total operating cost, for instance? No mean, but we could do that very easily. We have the results from probably 200-some-odd airports out of the 500.

Mr. KUYKENDALL. We do not know what it costs to totally run an airport. I saw the figure the other day of the amount of paper the airlines are on, by the use of their leases as mortgage collateral and it is something like \$15 billion. That is a lot of money and this is one of the reasons, when we started talking about on the safety equipment, mandating you people to go get some more money out of the airlines—I began to worry a little bit about their financial situation. And I didn't like that way of making you get the money anyway.

Mr. FALLON. We could probably do that, sir, by groups of airports. It is the only way it would be meaningful. In other words, to take medium hubs, small hubs, or large. But to throw them all into a box you really would not know very much on an average basis.

But if there were groupings and I think Mr. Hoyt may be able to provide information to the committee.

Mr. ADAMS. You want median costs of operating? Is that it?

All right. Without objection this will be included in the record.

Mr. HOYT. I guess the average would be all right. I would caution: unfortunately, each airport is a little different. Now, sometimes they get revenue from extremely extraneous sources, like a tree farm.

Mr. FALLON. Yes, we are talking about operating costs.

Mr. KUYKENDALL. We know what it costs to operate the airway system and we know generally what it costs to build a runway by the square yard, but the cost of totally keeping up the firefighting equipment at a terminal is another question.

The cost of the outside fences around the perimeter—we are not familiar with that and the patrolling and all that.

Mr. FALLON. I will say that in an airport the size of Buffalo, if you take the total cost of the security force, which would be not just the crash fire rescue unit, but the traffic officers, the armed guards that we have—I haven't run a figure off, but I would warrant that that probably is at least 50 percent of the total cost of operating the entire airport.

And that percentage has increased tremendously with each new requirement. It has become a situation now where the manpower at a medium-hub airport has literally doubled because of some of these requirements.

[The following table was received for the record:]

AIRPORT OPERATING COSTS BASED ON A SURVEY CONDUCTED BY THE AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES IN JANUARY OF 1973

	Number		Annual operating costs			Estimated additional costs to meet security and certification		
	Total	Reporting	Average	High	Low	Average	High	Low
Air carrier airports serving:								
Large hubs.....	22	16	\$6,277,066	\$14,046,000	\$2,365,100	\$982,070	\$3,487,000	\$250,000
Medium hubs.....	38	29	2,100,790	3,630,000	662,000	334,018	2,500,000	31,000
Small hubs.....	88	59	630,150	3,496,420	114,359	96,617	250,500	10,100
Nonhubs.....	350	124	167,283	1,061,000	19,675	57,377	300,600	5,000

NOTES

These figures represent only the costs of airport operation and maintenance. They do not include capital expenditures or debt service and similar costs.

As the impact of these requirements will be felt beginning in 1973, these figures represent the added (over and above those shown under Annual Operating Costs) operating costs which airports estimate will be required to comply with both security and certification requirements.

Mr. KUYKENDALL. I know you were briefing parts of your statement. Do you, anywhere in your statement, make a flat statement concerning the head tax, as to your opinion on its prohibition? Are you against it on a tradeoff basis?

Mr. FALLON. It is difficult, again, to speak for some 400 managers of airports. I will try to synthesize what I think is the general feeling, possibly influenced by my own feeling.

The so-called head tax, which for many years in Europe has been called the passenger service charge, is another method of collecting from the user for the use of the airport. In a sense there is nothing immoral or indecent about it.

I don't understand why, if it is used properly, there is anything different from the passenger service charge and the landing fee. Landing fees vary from airport to airport. It is the misuse of the passenger service charge or the head tax that I think should be questioned.

As I recall reading the decision of the Supreme Court, they may have had many conditions but I think basically there were two things that they said. One thing was that the charge should be reasonable. It should not be out of relationship to the cost of operating the airports.

And second, I believe it was their thought that it should be a means of raising revenue to defray the cost of operating the airport.

Mr. KUYKENDALL. Are you not of the opinion that both of these provisions have been rather seriously violated already?

Mr. FALLON. I wish I could answer that question because I honestly don't know. I have a suspicion that this may be; yes.

Mr. KUYKENDALL. One mayor has publicly stated that he had. And it is for use outside.

Mr. FALLON. Yes.

Mr. KUYKENDALL. One mayor has stood up and said it.

Mr. FALLON. Correct.

Mr. KUYKENDALL. So there really is not much argument about the one mayor we are talking about; he said so.

Mr. FALLON. And I think in many other cases that is not so. In other words, I think in many cases it has been a necessary charge to relieve the burden on the local community because of his inability, for

example, to increase landing fees, because of the necessity to produce debt service on borrowings.

And again what I am saying is that I don't think in and of itself, there is any reason to prohibit it. But most certainly I see no reason, either, why it should not be regulated, why it should not be subject to reasonable regulations, which to me is a completely different thing from trying to eliminate it completely.

Because I don't think it is necessarily bad and I don't believe that the Congress should prohibit local communities from doing something that may be good or bad, depending on how they do it; although I certainly recognize that the Congress may well decide that there are many misuses and that it should be regulated.

I am trying, as I say, to give you the feeling, not just of myself, but of the airport managers as I think they feel about it. They would not like to be deprived of something that they feel is not necessarily wrong.

Mr. KUYKENDALL. There does not seem to be any disagreement that the field of interstate commerce is a proper place for the Federal Government. That is written flatly in the Constitution.

I think the court decision, in using terms like "reasonableness" and using terms which said in essence, "As long as the money is used to promote interstate commerce," is it a proper thing."

But, you see, what you just invited us to do is to get into a big contest between the guideline writers and the local guideline writer breakers. Right?

Mr. FALLON. Yes; I really think so.

Mr. KUYKENDALL. And those always end up in interesting contests.

Mr. FALLON. Yes; I think so.

Mr. KUYKENDALL. So we are questioning here, because this committee, by its name, has a right to be in this business—we are questioning whether or not it is more orderly interstate commerce to include these functions in the trust fund, even adjusted, if necessary—I don't think it is necessary, but if it is, to adjust it to cover this field. But I see no possibility for it to be anything other than a bag of worms.

There has never been a case of a mayor standing up and announcing that he was going to divert all of these millions of dollars from landing fees. It just has not worked that way. I think this committee has a right to regulate landing fees if they want to.

However, we do not have a right to prohibit head taxes on intrastate flights, really; have we? That famous Philadelphia-Allentown flight—we could not prevent a head tax on that if we wanted to, because it is intrastate.

But I am sure it will all be in one package when it happens.

Mr. FALLON. No doubt.

Mr. KUYKENDALL. So I think you will find practically all of the members of this committee, in agreement that we want to leave as much leeway in your hands as is humanly possible. But we also want to avoid trying to write guidelines.

See, the Supreme Court thought they wrote them.

Mr. FALLON. They may have, but I think that has to be tested in court.

Mr. KUYKENDALL. That is right, but you see for instance, they said you cannot collect head taxes in excess of the cost of the operation.

That means they could collect head taxes to cover the cost of the entire airport, and divert that money that the city was putting into the airport somewhere else.

So what have you gained by that? Absolutely nothing.

Philosophically, letting you run your own show is very much my way of thinking, but we have already gotten into this business of trying to draw guidelines. We have already gotten into this business of the Supreme Court putting down some guidelines and they are being violated already, flagrantly.

We do not want to go through this act 2 years from now. We had to do the trust fund twice. We do not want to do this twice.

Thank you, Mr. Chairman.

Mr. ADAMS. Mr. Shoup.

Mr. SHOUP. Mr. Fallon, are you familiar with the testimony we have had before, specifically that of the Department of Transportation, on this matter?

Mr. FALLON. I believe I have read a summary of it.

Mr. SHOUP. There is one point there which your statement is 180 degrees from, concerning the needs that are being met, the fact that there are sufficient local matching funds. Their contention is that there is sufficient matching funds, that the development of airports is not being slowed down by any appreciable means because there are not sufficient matching funds on the local level.

As I understand your position here, it is that this is one problem that is holding back necessary improvement.

Mr. FALLON. I think that would be one problem that would be hard to support.

Mr. SHOUP. Which would be hard to support?

Mr. FALLON. It would be hard to support the DOT's statement. I think one of the problems we always face when we get into this question is, purely and simply: How many projects have been moved forward, let's say, into the contract stage, and how many contracts are purely prospective?

There may be many applicants for grants who hope that they will be able to produce the local matching funds.

Mr. SHOUP. Has your association come up with any figures in this line of saying, "We need more money because there are so many projects that have not been funded, have not come into actuality"? Do you have these figures?

Mr. HOYT. Not directly, sir. In this latest questionnaire that we put out we found the amount of the subsidy that the local community had to give to the airport for their operating costs and their capital costs. Beyond that we have not come up with any figures on how many projects did not bear fruition because of lack of matching funds.

I have many letters from people but—

Mr. SHOUP. I am inclined to agree with you and I have been trying to find some figures other than just allegations by the different groups that, "Yes, we need more money." "But we don't have the local matching funds." But nothing concrete; no specifics which we can look at.

Mr. FALLON. We have specific examples.

Mr. SHOUP. But you have nothing for the, say, 530 airports we are referring to that are affected. You have nothing along that line?

Mr. FALLON. No.

Mr. SHOUP. Another statement by the Department of Transportation that I would like to have your reaction on: they stated in their opposition to the portion of the bill that would allow participation of the Federal Government in local terminal construction—they said it is not necessary because terminals are a very lucrative business.

Would you care to comment on that?

Mr. FALLON. I would love to address myself to that, sir, because I have just finished an experience in Buffalo of being forced—when I say “being forced”—the traffic requirements were such that we had to build a second terminal and we are right now in the process of expanding the old terminal, having opened up the second one.

And when I left there this morning, I noticed that the new parking lot was full, which may be fine from a revenue standpoint, but when I got into the terminal building I found also that the terminal building was full. And that is not fine, because with substantial investment in a new building and with great increases in the public areas of the older building, I think we are going to be severely limited in our ability to raise revenues to support these enlargements.

Mr. SHOUP. You are referring to operating costs. They are not self-supporting?

Mr. FALLON. I am referring to two things. I am referring to operating costs and I am also saying that the crowded conditions immediately require additional capital investment, which requires debt service. And the rental rates can go up and do go on. But I think we are pretty close to a limit as to how far up we can go.

Now, I do think that in a normal orderly growth and with good planning the problem should not be as severe as has been. The difficulty is that we have not had a normal, orderly growth; we had a very rapid growth. Then we had a decrease. Now we seem to be back into a rapid growth again. And I do believe that in many of the airports the terminal revenues can support the debt service, and the operating costs, and so on.

But I believe in many other airports that is not going to be true. It is particularly not going to be true if we are rapidly doing what I am doing in Buffalo, and that is expanding old facilities with full knowledge that, having spent the money, within 10 years inevitably I am going to have to do something else, either a new terminal area, new airport or something.

And I do not think we can continue to do this sort of thing. Yet a lot of it is going into what I will call public areas. The total expenditure we are making now is purely and simply to expand the circulation areas in the building because they are overcrowded.

I give this to you as an example and I do not want to go on at length but I do think the situation is certainly a very variable one, and I think at many airports it can be justified as an investment of Federal funds.

I also believe in many airports it probably cannot be. I believe these things would be discretionary, in any event, as to whether a grant was made or not made.

Mr. SHOUP. Mr. Fallon, moving to another area; you, of course, are endorsing the increased matching funds and the enlargement of the eligible projects for the use of ADAP funds. This is for capital construction?

Mr. FALLON. That is right.

Mr. SHOUP. You are also recommending that the local communities be allowed to assess head taxes or be allowed to raise money to meet operating costs. Specifically, operating costs. They do have a problem. I think we recognize that.

If this Congress sees fit to ban head taxes, would you have any other source of funds that you would suggest? I am fishing for this particular thing: would you recommend, if you were denied the use of head taxes, that ADAP funds, part of the 8-percent tax, be used to subsidize operating costs of airports?

Mr. FALLON. I think it is a very interesting idea, but I wonder whether we would want to recommend that that be done, because I am afraid we would be convinced within our own organization that maybe we would not succeed in that recommendation.

I do have a little familiarity with what is going on in the transit business and I am aware of the great debate that is going on on this very question and I am afraid that we might find ourselves in a situation that the debate went on while we slowly died. And I would hate to see us put in that situation, purely and simply hoping that such a contribution could be made, when again, to repeat what I said before: I see nothing particularly wrong or wrong at all with a passenger service charge if it is used properly and used as it should be.

So, I would say we would prefer that solution.

Mr. SHOUP. You were saying that you would recommend some control on this passenger service charge. Would you recommend a standard charge?

Mr. FALLON. A standard charge to me does not really make sense. In Buffalo, I might need a 25-cent charge to cover revenues that I can't cover out of landing fees and concession revenues. And in Rochester they may mean 10 cents or a dollar. I don't quite see how you could standardize the charge.

Mr. SHOUP. How would you then propose to regulate it, if you aren't going to standardize it?

Mr. FALLON. I think purely and simply on the question of whether the charge is devoted to the use of the airport rather than taken off and siphoned away for some other use.

Mr. SHOUP. Having spent some years in local government, I can tell you that you can put any type of restriction like that you want on it and it will have no meaning whatsoever.

Mr. FALLON. Unless it were policed by agents.

Mr. SHOUP. I mean legally done. I think you are familiar with that. You are in the business. You know how to get around that particular.

Mr. FALLON. Not necessarily.

Mr. KUYKENDALL. I have a question that I think you might want to consider. In the line of regulating head taxes, what would you think about these two provisions on head taxes: No. 1, that the head tax must be a percentage and not a set figure; No. 2, that it must be on enplaning passengers only, to their first destination; and that they must be used for airport purposes only?

Of course, now you know, this restriction on its use is so easy to get around. All in the world you have to do is to raise your tax, use it all there, and reduce the appropriations the city council gives the airport.

But what do you think about the idea of making a flat percentage on head taxes.

Mr. FALLON. Let me see if I can sort these out. The first one would be, I think, that there is nothing wrong with limiting the application of it to enplaning passengers. I think purely and simply for efficiency, that would be a much, much superior method.

Second, as to the question of misuse, we have discussed it. I presume we could, if we chose to do so, misuse in some cases the landing fee in the same manner.

Mr. KUYKENDALL. The worst complaint that you have about head taxes is the percentage injustice. And it is a gross percentage injustice, because of its flat figure. What about a percentage head tax instead of a flat head tax?

Mr. FALLON. It entirely, in my humble opinion, depends on what the purpose of the charge is. If—and this was the case when the charge was initiated in many of the European countries—if the purpose of the charge was to be devoted to the maintenance, use and support of the passenger terminal area, which was the case when it was first started, then it is entirely unreasonable to make it a percentage of the ticket, for the simple reason that the use that a passenger gets, the number of visitors he brings to the airport, are not related whatsoever to whether he takes a trip of 100 miles or 500 miles should contribute more to the maintenance of a terminal building than the man who makes a 100-mile trip.

Mr. KUYKENDALL. Looking at it from the passenger viewpoint, does not that passenger consider, from the time he turns off and picks up his little ticket at your parking lot, until he gets into that taxi at the other end—that the trip is all one package. He knows less and cares less about what your problems are.

Mr. FALLON. This is true.

Mr. KUYKENDALL. All right; you are trying to be logical and just from your point of view, not the passenger's point of view.

Mr. FALLON. Possibly.

Mr. KUYKENDALL. Even his parking ticket is generally based on how long his flight is, or at least how long he is away. But he considers every bit of that service is a package, and he wants to pay for it on that basis.

Mr. FALLON. I tried to answer your question—

Mr. KUYKENDALL. You did answer it from the point of view of the airport operator looking at it on a use basis. But does not the passenger consider all this a package?

Mr. FALLON. Oh, I am absolutely sure that from the passenger's standpoint he does and equally sure from our standpoint that if it were a true cost allocation situation it would not be a percentage but a flat fee. And frankly, I don't know how you settle those debates.

I suppose maybe in the final analysis you were better off to go with the traveling public and do what they want.

Mr. KUYKENDALL. The widest and most general complaint is the injustice on the small hauler.

Mr. SHOUP. Mr. Chairman?

Mr. Fallon. I have one other thing I would like to cover.

In the additional material that you are putting in the record you do show the losses that were incurred by airports over their operating costs.

Mr. FALLON. I will ask Mr. Hoyt to address himself to that, if you don't mind.

Mr. SHOUP. I think it is quite alarming, but I am wondering if we saw the amount of profits where you have dashes would we be equally impressed with the profits some airports are making?

Mr. HOYT. Yes, sir. But I think if you carry that through, you will find—

Mr. SHOUP. Take No. 2. \$219,000. You show they did not have a deficit. And over in column 6, though, if they meet all the requirements they won't have to spend additional money, but they still will be able to meet the additional requirements without any loss of money or any subsidization.

Mr. HOYT. For instance, in the nonhub airports which I mentioned before, the 130, 10 of them would end up being financially self-sufficient. Of those 10 I could find the figures as to how much they would exceed it. Is that your question, sir?

Mr. SHOUP. I was merely asking, are there as many above the line of profitmaking as those showing a loss? Are we talking of management in these losses?

Mr. HOYT. Well, I suppose that managerial expertise has some bearing on it. However, it is often the airport itself. Surplus airports have all of this real estate, in which they get revenue from completely nonaviation sources, which goes to assist in the overall development; whereas another airport might only be just big enough to accommodate his operations.

Mr. SHOUP. Then the figures you gave us here, are interesting, but we must take them with a grain of salt because they are really not valid in saying that the operation itself of an airport is not economical. It depends upon what resources you have.

Mr. FALLON. The preponderance, if I may, is strongly indicating contra, that it is not a profitable enterprise. There are airports, whether management or what, good fortune in many cases, surplus acquisitions, that have made it.

Mr. SHOUP. I have one further question here. On your last page WS-8AO, the airports you designated "AO," on the last page—

Mr. HOYT. That is general aviation, serving general aviation exclusively.

Mr. SHOUP. Yes. Without certificated airline service. They have a total revenue of \$394,000, and they must subsidize it by an amount of \$1,748,000. This certainly has to be some type of a special operation.

Mr. HOYT. Well, I could go back and get that, sir. I do not have the individual statements from there. I mean, I have them in the office but I don't have them with me. That particular airport I could identify.

Mr. SHOUP. I suppose my point in looking at all of this is that I can agree generally with your statement that it is not a profitable business. But there is so much variance in this I wonder about the validity of all the statements, whether we can't consider that.

Mr. HOYT. Well, excuse me. I think we have to take it in three steps.

First, you look at whether they can meet their operating costs. Many of them can.

Then you step one step further; can they meet their operating costs plus their indebtedness for their capital improvements? That is step No. 2.

When you get to that step you have very few airports.

Then you take it one step further, as we did in column 6. This year's operating costs will be substantially over last year's. And this was taken last year. Because of the two, the security and the certification, that will make substantial increases in their operating costs.

So, when you take it the third step, then you end up, according to our figures, with only 10 airports that will be able to hack it financially this year.

Mr. FALLON. Out of —

Mr. HOYT. Out of 130.

Mr. SHOUP. All right. Thank you. I have no further questions.

Mr. ADAMS. Gentlemen, do you think there is a local obligation to maintain a local airport? And if they don't need it, we just ought to let it go.

Mr. FALLON. I think that has to be answered by each community in its own good conscience. I certainly would not impose that obligation on any community. Certainly it becomes a matter of choice when it becomes a matter of the taxpayers' pocketbooks.

But, by the same token I do feel that we have possibly an overriding situation, which is that we do need a national airport system, regardless of what one or another local community might decide in its own good conscience it can possibly support.

Mr. ADAMS. If we allow the head tax and it applies throughout the entire country, doesn't it act as a direct burden on any connecting point?

Mr. FALLON. I would say, of course, in line with what I said before: no more than any other charge, as long as the charge is reasonable and as long as the charge goes to the support of the airport.

Mr. ADAMS. I am talking about the fact that the whole country was set up to establish an internal market, in which the States would not burden the commerce between the States by charges on people who have no origination or other connection with the State other than the fact that they are trying to use the transportation system.

For example: Let's take Chicago or Los Angeles or Philadelphia or any of the major airports. If they charge on passengers going through that airport, these are passengers who neither originate there nor do anything else there, other than try to travel throughout the country. It is almost like a tariff.

Do you think we ought to allow that to continue?

Mr. FALLON. One of the things I believe you referred to, sir, was the strong possibility or consideration that the charge would be placed on enplaning passengers at the point of origination.

Mr. ADAMS. He said just enplaning passengers. If we go to the matter of origination and go to your small airports which you discuss as to where the problem is, looking at your own chart the amount of enplaning passengers that you have on the commercial airlines—will you even meet your collection costs at \$1 apiece or at 75 cents apiece, as a ticketing charge?

As I look at some of these, you have 13 flights originating a day, 7 originating a day and yet we found when the airlines wanted to cut

service into these points so that there would be less service, there was a tremendous community reaction against it.

Mr. FALLON. Not always the same people, of course.

Mr. ADAMS. What I am trying to get at is: to maintain a national system we have placed a tax on everybody that is using the system and are trying to divide it back out to everyone.

One of the bases of this committee's doing that was to make a national system. And frankly, some of us are very unhappy about the fact of having done this. Now we find the airports coming back in to lay another charge on top on a flat charge. And you have indicated you see nothing unfair about this.

What I am saying is: should we then drop the passenger percentage costs that we were putting on every ticket and let each one of you raise your own revenues and go back to where we were?

Mr. FALLON. I remember 2 or 3 years ago when we literally espoused that position but circumstances have carried us way beyond that.

Mr. ADAMS. That would still be your position?

Mr. FALLON. I, of course, can't answer that at the moment. A lot of water has gone over the bridge. But I do recall that the airport testimony when we were considering some of this, was very strongly in favor of that type of thing.

The fact of the matter is that I think there is a general tendency to mix up two very, very different situations. My own personal opinion, if I can insert it once again, is that the ADAP bill is the greatest thing that has happened to us in the 30 years that I have been in the business. I think it has salvaged a lot of very bad situations.

I think also, however, it has generated some very bad capital situations. I think that each time an airport improves its capital position it had better look very closely at what it is doing to its operating costs.

Mr. ADAMS. Oh, I agree with that completely.

Mr. FALLON. And we do not, through the ADAP device help our operating costs. Not that we don't need the capital help.

Mr. ADAMS. But should that not be a decision of the local community, as to whether or not it wants an airport, as opposed to putting a user tax on top of a user tax?

Mr. FALLON. No. I don't think that is a fair question to ask a local community.

Mr. ADAMS. No, that is the reason we are asking it, because you have an input into this; and frankly, the members of the committee, as Mr. Kuykendall mentioned, not only in this bill but in the so-called skyjacking bill, have been trying to determine as to parts of this tax-generated revenue, so that you would not have an operating subsidy.

But that is one of the key points in this skyjacking bill whether the Federal Government should absorb the security cost, whether it be done on a contract basis with you, or whether there be a Federal police force. The proposal has been put forth by the administration that would have you, in effect, absorb it all by getting a local officer to come in. In other words, raise your costs.

So we are fundamentally looking at how we can assist you.

Mr. FALLON. I understand.

Mr. ADAMS. But what I am trying to say to you is that in the opinion at least of this member, when you want head taxes you want

to have your cake and eat it too, unless you want to put it on the very small enplaning airports.

For example, you take this small airport that started the head tax—I think it was in New Hampshire, wasn't it, the original one? I am sure that the national airport system can probably survive if a community in New Hampshire, which deals basically only with its local residents, wants to knock them with a head tax. They are going to be mad but the rest of us can survive.

Mr. KUYKENDALL. Will you yield?

Mr. ADAMS. Yes; I will yield.

Mr. KUYKENDALL. I have been doing a little arithmetic as a result of Mr. Adams' question. Thirty departures a day is a pretty good sized little town, isn't it?

Mr. FALLON. Yes.

Mr. KUYKENDALL. All right. Five originating passengers on each of those flights is pretty good traffic for a small town.

Mr. FALLON. Maybe you are a little low. You might expect it to be a little higher than that.

Mr. KUYKENDALL. That would be \$150 a day. When we first started discussing this head tax—and we are not getting as much of that testimony this year as we did last year—we heard that the head tax economically is very bad business on any except very large airports.

And would you do some arithmetic for us on this one? You know full well that we are considering the head tax in lieu of trust fund help—we are not talking about your having the cake and eating it too.

Mr. FALLON. I don't think the costs of collection of a head tax are going to be an onerous burden, nor do I think a head tax need be \$1. I don't know why a head tax of 25 cents may not defray—

Mr. KUYKENDALL. It wouldn't go very far if you did not have 20 departures a day.

Mr. FALLON. I have seriously considered what it would do in my community, and I have advised my board that I didn't do it, that I wasn't going to do it, but nonetheless, I was considering a 25-cent charge.

But let me say one thing more: I am here, not just as a gentleman who runs airports. I am here representing a complete group of airport executives. And I do not want to leave this committee with the impression that the association position is that we are here saying we have got to have a head tax no matter what, because that is most certainly not the association's position.

We are pleased with what has happened. We think that this committee and the Congress have given us a tremendous lift with the ADAP bill. I have tried to be responsive to specific questions. You asked me why I thought the head tax was justified, and I attempted to answer that question.

But I must say that my own opinion cannot be thrust upon the opinions of the airport management as a whole. Many of them share my opinion; many of them don't.

I recognize that I think there are absolute justification for the use—and I don't like to call it a head tax—of a passenger service charge, just as you can justify a landing charge. But I certainly don't want to appear before this committee on the basis that we are discontented

or unhappy with the recommendations that have come from this committee. We certainly are not.

I would possibly be better off arguing the thing privately than before the entire committee.

Mr. ADAMS. Thank you very much.

Mr. SHOUP. One question I failed to ask previously, and I would like to ask: I have been told that there are certain airports which charge an admission charge to the airport itself. This is not a head tax but merely an admission charge.

Are you familiar with this, Mr. Chairman?

Mr. ADAMS. I am not. I know that it used to exist in the past, when people used to go out to look at airplanes to see them fly, but I haven't heard of any recently.

Mr. SHOUP. I have been told there are airports where, as you go in with a taxi, it costs you a number of dollars, so much for the taxi and so much for the passenger, two bits a passenger, whether you are flying or not, just to get on the airport grounds.

Mr. FALLON. I recall specifically—but I am going back possibly 8 or 9 years—that there was a booth at the San Juan Airport and that you paid a quarter as you went into the airport.

Mr. SHOUP. Do you know of any at the present time?

Mr. FALLON. No; I do not.

Mr. SHOUP. This was done as a means, I know, of raising revenue.

Mr. FALLON. The only example is the one I mentioned, and I don't know whether you can do that or not any longer. I haven't been down there.

Mr. SHOUP. This was an answer to the problem of raising revenue?

Mr. FALLON. I don't know how to answer that, because the people who go to airports in many cases, if you stop them at the front door, let's say, of the airport, might not be going there at all to use the facilities that require the support. They may not be going to the passenger terminal. That would be a very tough one.

And I think it could be done, but I am not so sure that there would be as much merit in doing that as in charging a passenger charge if your passenger terminal was operating at a loss, charging a charge on the people who use the passenger terminal. It will be a tough question to answer.

But I think stopping everyone at the front door would be a little rough.

Mr. SHOUP. Thank you very much. No further questions.

Mr. ADAMS. Mr. Skubitz?

Mr. SKUBITZ. Mr. Fallon, I am sorry I was not here to hear your testimony but I had some good Kansans upstairs that I had to visit with.

How do you distinguish between a hub and a nonhub airport?

Mr. FALLON. On the percentage of traffic enplaned at the airport. The FAA makes the distinction, not at the airport, but in the metropolitan area in the community. The FAA makes the distinction between airports that develop from one-half to 1 percent of the total national traffic, as being large hubs.

Between one-fourth and one-half percent and is a medium hub. And any airport or community that develops less than one-quarter of 1 percent of the total airline traffic in the United States is a small hub.

Mr. SKUBITZ. Your statement on U.S. air carriers did not appear to be quite correct in your definition of a hub carrier. I quote:

According to FAA classification, a hub is a community which receives certified scheduled airline service.

Mr. FALLON. This is true.

Mr. SKUBITZ. If that is true, is a hub airport one that has service from a certificated air carrier? And a nonhub would handle non-scheduled lines?

Mr. FALLON. No; a nonhub would generate less than the minimum amount of traffic for hub classification.

Mr. SKUBITZ. Generate what?

Mr. FALLON. We have it here. "A community that boards less than 0.05 percent of the total U.S. traffic is called a "nonhub."

Mr. SKUBITZ. What I am getting at is that regular scheduled airlines stop at nonhub airports.

Mr. FALLON. Yes; and generally the local service type of operation.

Mr. HOYT. They are by far the most numerous, too. There are 375 so-called nonhub communities that have scheduled airline service.

Mr. FALLON. They must meet the requirements, of course, of the security act and so on, although they may have three or four flights a day.

Mr. SKUBITZ. "Thirty-four of the fifty-eight meet operating costs." Thirty-four of what fifty-eight? Would that be—

Mr. FALLON. A small hub.

Mr. HOYT. Yes; the so-called small hub.

Mr. SKUBITZ. Operating costs are met at 34 of the 58. Operating and maintenance costs; is that right?

Mr. FALLON. Yes.

Mr. SKUBITZ. How many more hub ports are there?

Mr. HOYT. In the smaller categories there are 88 airports classified as small hub airports.

In our appendix here, the third sheet in, going sideways in your exhibit, it is labeled "U.S. Air Carrier Airports." That will give you the number of each type of airport, large, medium, small, and nonhub.

Now, this is a nomenclature that the FAA came up with. It is based on the size of the community. It is not necessarily an airport. The airport receives scheduled airline service to serve a community that is classified as a large, a medium, a small or a nonhub airport, according to its population.

Mr. SKUBITZ. My question might not appear pertinent, but I seek information. There are 22 large airports in this category, is that correct?

Mr. HOYT. Yes, sir.

Mr. SKUBITZ. Now, how many of the 22 are able to meet operating costs and how many of them operating and maintenance costs?

Mr. HOYT. Well, we do not specifically have those figures.

Mr. SKUBITZ. You seem to be talking only about the 58. Why would you have data on the 58 and not on the 22?

Mr. HOYT. Well, because the problem is in the smaller airports. The larger airports, at least the large hubs, usually have compensatory agreements with the airlines that serve them. If it costs so much to operate the field, then they can receive that from their users, either from the airlines or from their concessionaires.

But as you go down the scale in the size of the airport, those airports do not have the ability to pass their costs directly on to users. If they did, the price per unit for each landing and takeoff would be exorbitant. Does that answer that?

Mr. JARMAN. I think the only question that the Chair would ask would be anything that you would have to say with reference to the impact the head tax has on commuter air travel, referred to by an earlier witness this morning.

Mr. FALLON. I think the only comment I could make, Mr. Chairman, would be that the impact would depend upon the size of the head tax. I have stated in answer to a previous question that there seems to be a general opinion that head taxes have to be a dollar. I don't consider that they have to be a dollar. I think they could well be 10 cents or a quarter, and I don't think that would have a serious impact.

Mr. JARMAN. You are suggesting the possibility that the head tax might be scaled down according to the length of the flight?

Mr. FALLON. We discussed this at some length and I do not subscribe to that philosophy, but I did agree with Congressman Kuykendall, who pointed out that although we might not necessarily agree with it, from the standpoint of the public they would probably prefer to see it done that way.

Again, I don't want to be redundant, but I tried to make the point previously that the origination of these things which are called head taxes, basically, in my opinion, were passenger service charges. They used to charge a shilling years ago in London Airport and they used it purely and simply to pay for the expenses of the terminal area that were not compensated in rentals.

It has grown from there. I think that is a perfectly appropriate use. But the fact of the matter is that a passenger, regardless of his destination, presumably gets the same use of the facility. So if they are going to charge 20 cents, which was about what the shilling was worth at that time, I don't think the 20 cents hurt anybody particularly, and it was the same 20 cents regardless of his destination.

Mr. JARMAN. Of course, under the charges that have been made, the head tax can be as much as 25 percent of the cost of the ticket on some of these commuter flights.

Mr. FALLON. It could certainly get out of hand. I absolutely agree.

Mr. JARMAN. Gentlemen, we thank you for being with us.

Mr. SKUBITZ. One question I have asked before: A hub community is a community, not just an airport, which receives certified scheduled airline service. That does not mean, according to you, that communities that do not receive scheduled service—let me restate.

It appears rather badly stated and confusing here. A nonhub community does receive certified scheduled planes or scheduled airlines? And on a regular schedule, just as a hub community?

Mr. FALLON. Yes, sir, but in a relatively small amount, with the standard being set by the FAA as to how low you have to go before you reach the nonhub classification.

Mr. HOYT. To clarify this: If they would only call them large medium, small, and very small. The "non" is what confuses me. Just call it "very small."

Mr. SKUBITZ. In my hometown we have no scheduled service coming in. I think of that town as being a nonhub port.

Mr. HOYT. A very logical conclusion.

Mr. SKUBITZ. Whereas, in the case of Joplin, 35 miles away, Ozark comes in there a couple or three times a day. Joplin would be a hub community?

Mr. HOYT. We are using the designated FAA language here.

Mr. FALLON. This is the way they classify scheduled airline efforts.

Mr. HOYT. Their statistics are based on this, too. That is why we have taken that direction.

Mr. JARMAN. Thank you very much.

Mr. FALLON. Thank you.

Mr. JARMAN. Our final witness this morning is Mr. Edward W. Stimpson, president, General Aviation Manufacturers Association, with offices here in Washington.

It is good to have you with us.

STATEMENT OF EDWARD W. STIMPSON, PRESIDENT, GENERAL AVIATION MANUFACTURERS ASSOCIATION

Mr. STIMPSON. Thank you. I am Edward W. Stimpson, president of the General Aviation Manufacturers Association, which is composed of 30 companies which manufacture over 95 percent of the airframes, engines, avionics, and related pilot supplies.

We appreciate the opportunity to appear before you today in support of S. 38 and other related bills which are before the subcommittee, all with the objective of accelerating airport development and prohibiting the head tax.

GAMA commends the committee for taking prompt action on the consideration of these bills early in the 93d Congress.

Mr. JARMAN. Mr. Stimpson, would you want to submit your entire statement for the record and summarize it for us at this point?

Mr. STIMPSON. I will. I realize the hour is getting late, Mr. Chairman, and I will summarize my statement.

Prompt action and consideration of these bills early in this Congress is indicated and we were disappointed at the Presidential veto last year of the legislation this committee worked so hard on.

In addressing the need for amendments to the Airport-Airway Act, I would like to discuss primarily the need for increasing the 75-25 share and also talk just briefly about the land bank provisions.

Despite the excellent work which has been accomplished under the Airport-Airway Act so far, the full objectives, I do not believe, can be met without amending the act as proposed by the bill before your committee.

One of the most unresolved problems which is facing us is the congestion at major hub airports. And for many reasons, the public reaction against the construction of new airports included, no new major airports have resulted from the bill passed in 1970.

Unfortunately, only one new general aviation reliever airport has been built, this being on the outskirts of Richmond, Va., in Chesterfield County.

I must say that the FAA has made commitments to 73 reliever airports around the country, including some \$23 million, but we still are not getting the new airports where we need them the most.

Also, in relation to general aviation airports overall, as you know, the \$280 million is the minimum each year, with 250 for air carrier and relievers and 30 for general aviation airports.

When you look at the allocation of this \$30 million you see that this \$30 million is not met in any 1 year. In the first 3 years of the program there was some \$90 million available for general aviation airports, strictly general aviation airports, but only \$44.3 million of this has been allocated.

We are getting some new airports, some 61 new airports having been started through the act, but this is far short of the 1,000 that were predicted back at the time the legislation was passed.

So the problem in its most basic form is that we are not getting airports at the pace we thought we were getting them, particularly the reliever airports. And coupled with this, we are losing many private airports in places we need them the most.

The FAA records show that in 1972 alone, the first 11 months, some 386 airports were lost from the airport inventory and many of these were in the metropolitan areas.

Now, you look at places like Chicago, for example, where in 1946 there were something like 45 airports in the Chicago area, and today there are 18; and of this number three are in immediate jeopardy.

You take a place like Palwaukee, which is one of the principal relievers in Chicago and a private airport. It reported property taxes of \$85,000 in 1971. I understand in 1972 that there was something like a 375-percent increase.

Chicagoland airport, another reliever in Chicago, has just been taken over by private investment trust with a 1-year option.

Sky Harbor, another airport in the Chicago reliever area, has just been sold.

So, nearly every metropolitan area in the United States is faced with a situation similar to Chicago, like Bailey's Crossroads here in Washington. Two years ago was a very key reliever airport. Caldwell Wright in New Jersey, a private airport, has 12 percent of the general aviation fleet in New Jersey on it, over 300 airplanes, and is now up for sale.

So, despite the overall increase in inventory, the fact remains that we are not meeting with the needs in the metropolitan areas.

Now, in recommending changes, I think the legislation providing for the 75 percent for medium, small, nonhub, and general aviation airports would be of great and real assistance in achieving the objectives as enunciated in the act.

And according to the FAA surveys, nearly \$200 million in airport development projects have been withdrawn. And the primary reason for this has been the lack of local financing on the local level.

FAA has estimated that over \$500 million worth of projects have not been submitted, primarily because of lack of local financing difficulties.

So I think there is no question but that an increase in the Federal share would add an additional important incentive for local sponsors.

The argument has been made that increasing the Federal share will increase the burden on the Federal budget. And I think from the testimony that has been developed here and the surpluses in the airway

trust fund, the money coming from user fees—it shows that the trust fund is currently running in surplus condition.

Unfortunately, S. 38 as passed by the Senate might not achieve this additional reliever in the metropolitan area from the standpoint of a technical problem which I understand was not the intent of the Senate committee. And that says that if an airport sponsor is a major hub airport he can only receive 50 percent.

I think consequently, in a case like in the New Jersey-New York area, if the New York port were to expand, Teterboro, an important reliever, would be limited to 50 percent. We think this should be changed so that a reliever airport in this condition could get the 75.

One other thing, Mr. Chairman. I would also like to make a pitch for this land bank provision, which was considered last year. This was a way to increase airport capacity in years ahead. I know that there were several concerns on this committee that there were not adequate safeguards in the legislation to prevent land speculation, noise easements, et cetera.

However, it seems to me that there could be ways in which safeguards could be put into this provision in order that land could be bought for future airport development, things like conditions saying the airport development must be specified in the plan, restriction to airport development alone and not to noise easements and other things. And I think this could probably be worked out.

It is also interesting to note that the President's Aviation Commission advisory report recommended a land bank provision very similar to that which was passed in the Senate bill last year.

So, in summary, Mr. Chairman, we would urge enactment of legislation to accelerate airport development, to prohibit the head tax, urge the increase to 75 percent for a medium small hub, as well as general aviation airports, and particularly requiring a clarification of this language; 75 percent for relievers in the metropolitan areas.

In addition, we think the land bank provisions have greater merit and we urge your consideration of such a provision as you study this bill.

[Testimony resumes on p. 165.]

[Mr. Stimpson's prepared statement follows:]

STATEMENT OF EDWARD W. STIMPSON, PRESIDENT, GENERAL AVIATION
MANUFACTURERS ASSOCIATION

I am Edward W. Stimpson, President of the General Aviation Manufacturers Association. The Association is composed of 30 companies which manufacture over 95 per cent of the airframes, engines, avionics and related equipment for general aviation aircraft in the United States.

We appreciate the opportunity to appear before you today in support of S-38 and other related bills which are before the Subcommittee; all with the objective of accelerating airport development and prohibiting the head tax. GAMA commends the committee for taking prompt action on the consideration of these bills early in the 93rd Congress. We are disappointed that the legislation which this committee and the Congress passed last year and was supported by 21 aviation organizations received a pocket veto.

I would like to address the need for amendment of the Airport & Airway Development Act of 1970. The issues of prohibition of local head taxes, a prohibition which we support, has been covered in detail by other witnesses, and I shall not dwell on the subject. However, we believe amendments to the Act are necessary to ensure that its original intent and purposes are fully realized. Specifically I will address the need for increase in the federal share to 75-25 per cent for medium, small and non-hub airports and for all general aviation airports which were contained in S-3755 last year. To accommodate this increase in percentage, the level of authorization should also be raised, as it was last year.

THE NEED FOR CHANGES IN THE ACT OF 1970

The Airport and Airway Development and Revenue Acts of 1970 provided the necessary basis for expanding the nations system of airports and airways to meet the needs of air transportation. The pent-up need for airport improvements quickly absorbed available funds and the backlog of needed improvements at existing airports is being reduced significantly as a result of the availability of federal funds, collected from the users, being available.

Despite the excellent work being accomplished under the Airport/Airway Act of 1970, the full objectives of the Act cannot be met without amending it as proposed in the Airport Development Acceleration Act of 1973 and as passed by the last session of Congress.

One of the most persistent unsolved problems in aviation is increasing congestion at major airports. For many reasons, including public reaction against the construction of new airports, no new major airport starts have resulted from the bill. Unfortunately only one general aviation reliever airport, which could serve as a "reliever airport" in a metropolitan area, has been started as a result of passage of the Act of 1970. That airport is Chesterfield County on the outskirts of Richmond, Virginia.

The FAA has made 73 grants totaling over \$23 million to existing "reliever" airports, which will be of great assistance in improving those airports, but the problem of providing sufficient safe properly equipped airports to serve general aviation in metropolitan areas where they are badly needed is not being solved. Thus, hope that the 1970 Act would provide new airports in metropolitan areas with a consequent reduction in congestion at the major hub airports has not reached fruition.

The Airport/Airway Act calls for a minimum of 280 million a year to be spent for airport grants. Of this, 250 million is to be spent for air carrier and reliever airports and 30 million dollars for general aviation airports. An examination of the general aviation allocation shows that it has fallen well below the mark. In Fiscal 1971, only 9.6 million of an available 30 million was allocated; in Fiscal year 1972, 21.7 million and through the second quarter of Fiscal 1973, 12.9 million. Thus, in the first three years of the program with 90 million available for general aviation airports, only about half, 44.3 million, has been allocated for 354 projects. However, of this number, only 91 projects for 5.5 million have been completed since the program began in July, 1970.

Included in the above numbers are 61 new airports which have been started (7 in FY 1971, 25 in FY 1972 and 29 in FY 1973). However, this number falls well short of the goal of 1,000 new airports that were predicted for the decade when the act was passed in 1970.

The problem in its most basic form is that airport construction is proceeding at a slow pace and particularly reliever airports, in the areas in which we most need them. On the positive side, it is heartening to note that there are some metropolitan airports such as Love Field in Dallas and Kansas City Municipal are being considered for retention as easily accessible, downtown airports, while the air carriers move their operations to more distant and larger facilities. The retention of this type of airport will aid business aviation and commuter traffic considerably and provide a benefit to the community. As an example, the Dallas consultant's report on the future of Love Field states that the demand of that airport to be retained as a general aviation airport is much stronger than the markets for alternative types of development.

Coupled with the lack of new airport construction is the fact that we are losing many private airports in metropolitan areas which currently serve as reliever airports. The FAA records show that in the first 11 months of 1972, 386 airports were lost from the total airport inventory. In 1971, 354 airports and in 1970, 250 airports. Many of these were privately owned airports in metropolitan areas, but open to the public for public use. The reasons for these losses to the aviation community and the traveling public are obvious. When shopping centers and high-rise apartments are built adjacent to existing airports, an owner is hard pressed to retain his property for airport purposes. Additionally, taxes have skyrocketed for many of these private airports and this makes it an economic impossibility to retain the airport even if an owner so desired. Some states have enacted provisions to tax airports at lower rates, but this practice is not uniform.

The Chicago area is an example of this plight. In 1946 there were 45 airports in the Chicago area. Today there are only 18. Of this number, I understand

that three are in immediate jeopardy. Palwaukee Airport, which is one of the principal relievers in the Chicago area, and is also a private airport, reported property taxes of \$85,000 in 1971. We understand that these taxes have soared in 1972 by 375 per cent. Chicagoland Airport, which is a 300-acre airport for business, corporate and private aviation in Wheeling, Illinois, recently had a one year option placed on it by investment trust group. If this option is exercised, the question arises to the immediate future of the land as an airport. Sky Harbor, another Chicago reliever has recently been sold and has been closed down.

Nearly every metropolitan area in the United States is faced with a situation similar to the Chicago problem. Two years ago, the Washington-Virginia Airport existed at Bailey's Crossroads, Virginia. The airport has now been replaced by a high-rise apartment and business complex. In New Jersey, the Caldwell Wright Airport is in similar jeopardy. Twelve per cent of the total general aviation fleet in the state of New Jersey is based at this airport. Many of the over 300 airplanes that are based there support industrial organizations in business and corporate flying. Even more noteworthy is that Caldwell-Wright serves as a vital reliever to the metropolitan areas of New York and Newark. As air congestion in the New York and New Jersey area has become more acute, many aircraft have moved operations from the more central airports to Caldwell-Wright.

Despite a general increase in the total airport inventory, the fact remains that airports in our most critical and sensitive areas are being lost and replacement of these facilities is not taking place or even being planned. The reasons for lagging development of new airports is severalfold. A major problem is financing. Local sponsors are encountering extreme difficulty in raising a matching share to the federal grant. Another important factor is the lack of community understanding and acceptance of airports and the corresponding necessity for proper land use planning to insure that airports remain good neighbors, and fit it with the environment of the community.

RECOMMENDATION FOR CHANGE

1. Increasing the federal share from 50 to 75 per cent

The legislation providing for 75 per cent from the Airport and Airway Trust Fund for medium, small, non-hub air carrier and all general aviation airports would be of great and real assistance in achieving the objectives announced by the Congress in the Airport, Airway and Development Act of 1970.

According to FAA, nearly \$200 million in airport development project requests have been withdrawn, and the primary reason is financing problems on the local level. FAA has estimated that over \$500 million of projects have never been submitted because of the local financing difficulties. An increase in the Federal share would also serve as an additional incentive for local sponsors to assume public ownership of airports and retain them in the airport inventory. We sincerely hope that a program of this type could begin before land prices increase further, and while there is still time to utilize proper land planning techniques around the airport to insure a maximum of future environmental compatibility.

The argument has been made by several that the increased federal share will incur an additional burden on the federal budget funds. The funds that support airport development under the Act of 1970 are generated solely from user fees and taxes and the trust fund is currently running surplus. The general aviation share is currently not being fully utilized. The argument could be made that we should be aiming to get airports where we need them the most and an increase in the share would help towards this end.

Unfortunately, S-38 as passed by the Senate may not change the reliever airport situation appreciably although we are sure it is the intent of the committee to accelerate the development of general aviation airports which would serve large metropolitan areas where they are needed as well as those which would serve smaller communities.

The problem arises from the language in Section 5 of S-38 which limits the federal share to 50% from those "Sponsors whose airports enplane not less than 1.00 per centum" of total enplaned passengers. This would preclude airport authorities in the major metropolitan areas from obtaining the 75% federal share granted to general aviation airports elsewhere and could continue the present unsatisfactory position of insufficient general aviation capacity in large metropolitan areas.

It has been suggested that airport problems in large communities are insensitive to costs as other factors predominate. We do not share that conviction. There are instances where local communities had funds available and could not agree on a site. The more likely situation is that any community or airport authority with airports producing one or more per cent of total airline passenger traffic is inclined to invest its funds at the major airports that produce the revenue rather than invest it in an airport without airline revenue.

If a large community could reduce its share of general aviation airport construction costs, the incentive to build and improve reliever airports would increase greatly. Everyone would benefit as greater capacity would be provided to relieve pressure upon the major airports, often a very logical cost-benefit solution.

It is suggested that lines 11 through 18, page 4, section 5 (a) (1) be amended to read S-38 "(1) 50 per centum for the sponsor of any airport which enplanes not less than 1.00 per centum of the total annual passengers enplaned by air carriers certificated by the Civil Aeronautics Board; and (2) 75 per centum for the sponsor of any airport which enplanes less than 1.00 per centum of the total annual passengers enplaned by air carriers certificated by the Civil Aeronautics Board.

The suggested amendment would provide capacity where needed most in the most economical manner as additional capacity often can be provided at less expenses at reliever airports.

2. Adoption of land bank provisions as provided in S-3755

Last year S-3755 contained a provision which would allow the Secretary of Transportation to enter into grant agreements with public sponsors at the local level in order to increase the federal share. These agreements would be essentially in the form of loans to communities for future land development. Under the provisions, the initial federal share could have been as high as 100 per cent. The difference between the 100 and 50 or 75 per cent that is usually granted would be repaid to the federal government through the agreement entered into by the Secretary of Transportation and the local sponsor.

The advantage of a provision such as this is that land necessary for future development could be purchased as soon as possible. The provision would also allow for the rapid acquisition of private airports when a local governing agency desired the assumption of ownership in order to retain a community airport. In addition to preserving existing facilities, a substantially lower cost burden would be placed on the Airport & Airway Trust Fund since acquisition and development of comparable new facilities would decrease.

I understand that there have been reservations expressed about this provision. While these reservations are fully justified, I do believe they can be ameliorated by placing additional safeguard language in the legislation.

One of the concerns that has been expressed is that the provision proposed last year would open the door for land speculations, excessive disbursements for noise easements, etc. Safeguard language to prevent this misuse should state that the land bank could only be used for airport purposes and that any acquisition would have to be clearly delineated in the National Airport System Plan. In addition, the Congress could place a limitation or ceiling on the amount to be spent on land bank in any given year. Also, if airport development should not proceed in a specified period of time, the federal share should be refunded to the government.

The President's Aviation Advisory Commission Report issued on January 3, 1973 recommended a land bank similar program to that proposed in S-3755 last year. I believe that the reservations of the Congress regarding this provision could be lessened with appropriate clarifying and restricting language in the bill. This provision would certainly facilitate the proper land use planning and encourage the aviation community to plan now for the future rather than react to the crisis as we have so often done in the past. The basic feature could be of extreme benefit to the development of aviation system. It could also be of immediate help in saving a number of airports that might otherwise soon be lost for the aviation inventory.

SUMMARY

In conclusion, GAMA urges the enactment of legislation to accelerate airport development. In addition to prohibition of the head tax, we would urge an increase in the federal share from 50-75% for medium, and small hubs as well as general aviation airports. We would also urge a clarification of the language that would allow for 75% financing of reliever airports in large hub metro-

politan areas. In addition, we believe that the land bank provisions which have previously been considered by this committee have great potential and should be given further consideration for incorporation into the legislation.

These changes will not increase the burden on federal taxpayer as funds for airport construction are now being amassed in surplus from user charges set aside in the Airport/Airway Trust Fund. These changes will permit fuller and better use of funds generated by the users to increase the safety and efficiency of the airport/airways system for the benefit of all.

Mr. JARMAN. Thank you. It is a comprehensive statement and will be very helpful to the committee.

Mr. Kuykendall?

Mr. KUYKENDALL. In speaking of the developing of new hub airports, I was reading some publicity last week in the Newport Dallas Airport. There was some language down on the midst of this article that was quite interesting.

It left the impression that the major hubs, because of environmental situations, were probably going to be things of the past. What have you to say about that?

Mr. STIMPSON. Mr. Kuykendall, if you were to look at some of the problems that have happened in the last few years you would be very pessimistic about the development of new major airports.

On the other hand, I think you will find that planning is going ahead in a number of the major areas. You are finding concepts like Dallas-Fort Worth, where you buy 20,000 acres of land. You buy your noise buffer zones. You have an airport which has obviously been well-planned. You have in addition, new generation of aircraft, which are helping on the noise problems.

Perhaps we will have to do a much better job of understanding new airport development. I hope the conclusion you stated has not come to pass.

Mr. KUYKENDALL. This is not directly involved in this legislation, but it is certainly indirectly involved. You may or may not be aware that we struggled for months last year on the powerplant siting bill and never got a bill. I had an airport siting bill in much the same vein, written up and introduced last year. I have not reintroduced it, because, frankly, I was waiting for the powerplant legislation to set a precedent.

Do you envision the necessity of something like this being brought about before we can ever really move forward on hub airports in an orderly way?

Mr. STIMPSON. I would think, Mr. Kuykendall, that the legislation passed in 1970 certainly has enough of the environmental safeguards built into the bill.

Mr. KUYKENDALL. I am not talking about protecting the environmentalists; I am talking about protecting the public against environmentalists. I am talking about preventing quadruple jeopardies and 10-year delays and airports abandoned in the middle of the Everglades because the work was not done properly in the first place.

The powerplant siting bill that we worked on actually gave us, gave everybody, an extended day in court, but that day did end. basically what I am talking about.

Mr. STIMPSON. Well, I was going to say: I think it could well be that such legislation might be necessary in this case. It might be very desirable.

Mr. KUYKENDALL. Are you saying in your testimony that as to the private airports, this feeder-reliever airport system is going to have to be, of necessity, taken over by the public?

Mr. STIMPSON. No; I think the note I was trying to sound. Mr. Kuykendall, is that as you know, out of the 12,000 airports, some 7,000 are private airports today. And where we are having the problem is not out in the Great Plains of this country and the open spaces—private airports are still no problem, but it is in the metropolitan areas.

Mr. KUYKENDALL. Some of the States are doing it.

Mr. STIMPSON. Which is encouraging now. And the only relief I see, in part, is public sponsorship, public ownership of some of these private airports which are keyed to the relief of congestion at major hubs.

Mr. KUYKENDALL. Are you saying public ownership of the land and a concession for operating the airport—a tenant association?

Mr. STIMPSON. Yes, because the airport operator, like Bailey's Crossroads—as long as the owner was alive and an aviation buff, you know, he kept that airport, but the moment he died his heirs sold it off for a tremendous price. And, of course, we know of the tragedy there last week in that very spot. But this is happening all around the country in these metropolitan areas.

You just can't keep up with this situation. New York and Chicago I cited; 375-percent increase in taxes. And you look around and there are shopping centers, highrises, everything else in the area, and a guy sitting there with all that land, with the airport, is paying high taxes.

And, you know, unless you really love airplanes you don't want to keep it.

Mr. KUYKENDALL. It becomes financially impossible.

Mr. STIMPSON. Right. So, my pitch is that with encouraging the taking over some of these good private airports in the metropolitan areas, there should be additional incentives to allow these airports, which are an important part of the national transportation system.

Mr. KUYKENDALL. Do you think we will ever reach a time that an individual locality in a metropolitan hub area would have such a veto on the location of an airport, that it would end up without the hub airport?

Mr. STIMPSON. I don't see how you are going to take away the local—it will be very difficult to accomplish what you are talking about. I think it would be better to have the local community do a lot more zoning and planning for the local airport.

Mr. KUYKENDALL. Do you see the possibility of a new regional airport ever being built in the New York area, with all the States around it vetoing it?

Mr. STIMPSON. There are better experts than I on that one. Only 1,200 regional people have to judge that one up there, I think.

Mr. SKUBITZ. I am not sure I understood Mr. Kuykendall's questions and your answers. Are you suggesting that the Federal Government buy these privately-owned airports and then lease back?

Mr. STIMPSON. Well, I was suggesting two things. One: I think that in some cases you would have the 75-percent financing that helps today; Wheeling, Ill., taking over Palwaukee, for example.

Second, I was also speaking in the long range of some of these land bank provisions. Last year Caldwell-Wright in New Jersey, which may be lost any day now, could be saved by a combination of loan and Federal grants, to help the community take that airport over today and then on a payback provision over a period of years.

Mr. SKUBITZ. I understand.

Thank you, Mr. Chairman.

Mr. JARMAN. Mr. Shoup?

Mr. SHOUP. On page 4 you say local sponsors are encountering extreme difficulty in raising their matching share of the Federal grant. Have you any figures to substantiate that?

Mr. STIMPSON. The only figures I have, Mr. Shoup, are the figures that I have seen at FAA, which are those of the total numbers of airports withdrawn, projects put in and withdrawn, some \$200 million having been withdrawn in projects so far.

Now, not all of those obviously are financing. But I understand the majority of those are. Some—they have changed their plans, had bond issues or, for one reason or another—

Mr. SHOUP. Well, the parent organization of the FAA apparently took it differently from the way you do. Their contention is that this is not an indication that there is a lack of local money.

Mr. STIMPSON. I guess it is a difference of opinion, because last year at the FAA Planning Conference, the statement was made at the conference that there were some \$500 million worth of projects which had never been submitted, because of lack of local financing.

Mr. SHOUP. This statement was made by whom?

Mr. STIMPSON. It was made at the FAA Planning Conference last year, the normal planning conference that FAA has every year, last April or May.

Mr. SHOUP. You know, Mr. Chairman, I wonder if perhaps we could have this particular question answered. We seem to be in an argument here, as to whether there are more blonds than redheads, and it is going to come down to the question of counting each if we are going to resolve it. We have much allegation on the side of the operators, and local authorities, that is completely different from what the FAA says.

Yet now we have testimony here that the FAA has information that is different than has been given us by the Department of Transportation.

Mr. STIMPSON. This figure, I understand, the \$500 million, was based on sort of a quick and dirty survey that they made in their regions about the year-and-a-half ago, as to: how much unfunded work is there in the backlog here? This was a published figure at the time, last year, of this \$500 million.

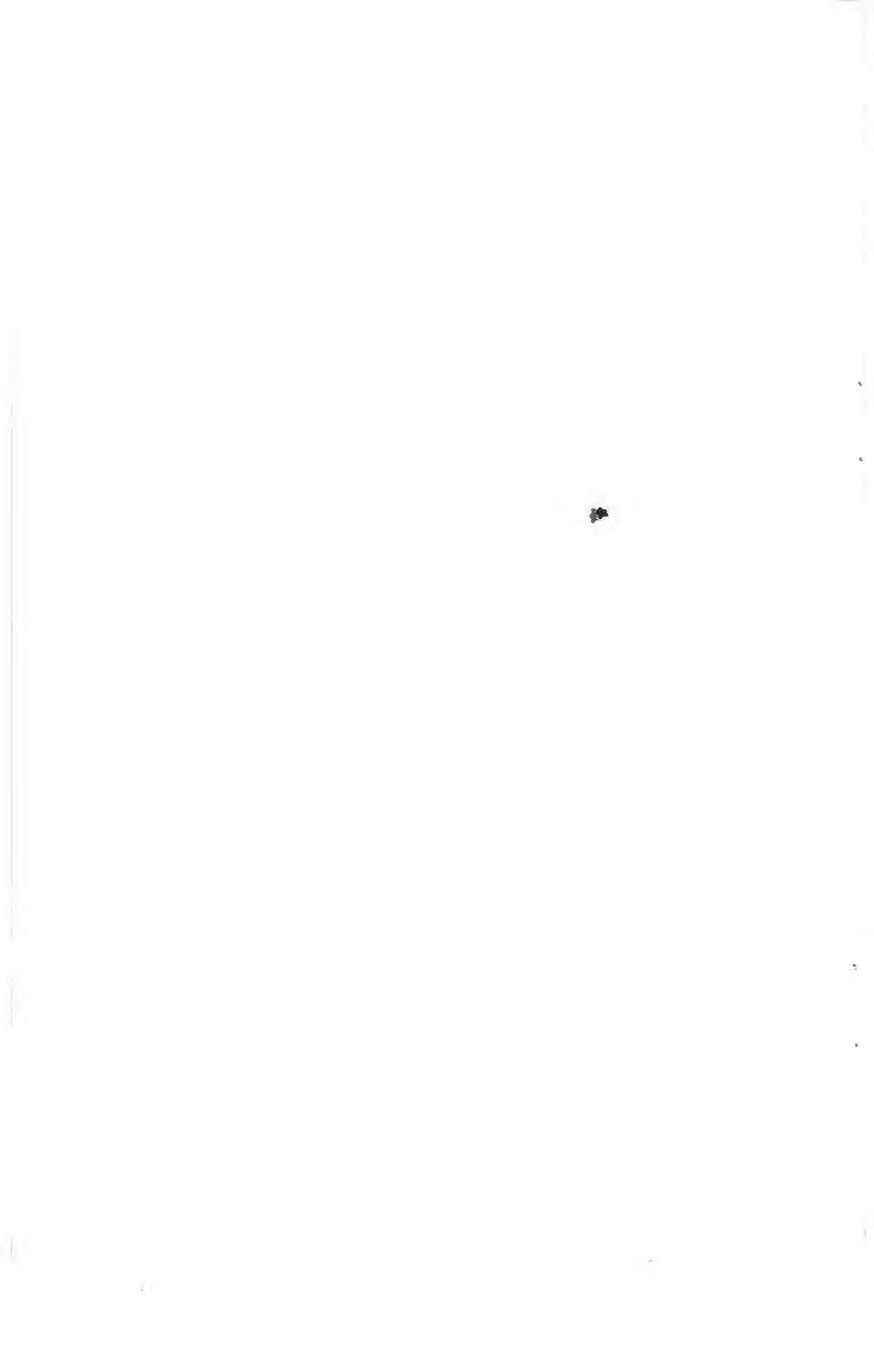
Mr. SHOUP. Thank you. I have no further questions.

Mr. JARMAN. Thank you, Mr. Stimpson. We appreciate your adding to the hearing record.

Mr. STIMPSON. Thank you.

Mr. JARMAN. This concludes our list of witnesses for today. The subcommittee will stand adjourned until 10 o'clock on Thursday morning.

[Whereupon, at 2:29 p.m. the subcommittee adjourned until 10 a.m. Thursday, March 22, 1973.]



AIRPORT DEVELOPMENT ACCELERATION ACT OF 1973

THURSDAY, MARCH 22, 1973

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met, pursuant to notice at 10 a.m. in room 2322 Rayburn House Office Building, Hon. John Jarman [chairman] presiding.

Mr. JARMAN. The subcommittee will please be in order.

As we continue the hearings on bills to amend the Airport and Airway Development Act of 1970, to increase the United States share of allowable project costs under such act, and to amend the Federal Aviation Act of 1958 to prohibit certain State taxation of persons in air commerce, our first witness this morning is Mr. Jack Monsanto, executive director of the Virgin Islands Port Authority.

Mr. Monsanto?

As we have announced at each hearing session, so many witnesses have asked to be heard on this important subject that we have requested all witnesses to submit their statements in full for the record and to highlight what they feel the committee should pay particular attention to.

STATEMENT OF JACK M. MONSANTO, EXECUTIVE DIRECTOR, UNITED STATES-VIRGIN ISLANDS PORT AUTHORITY

Mr. MONSANTO. Mr. Chairman, I am Jack M. Monsanto, executive director of the Virgin Islands Port Authority, and I have a prepared statement.

Briefly, if you would like, I could summarize it.

Mr. JARMAN. I think your statement is short enough that you may proceed to read it if you prefer.

Mr. MONSANTO. All right, sir.

Briefly, the United States-Virgin Islands Port Authority was created by Legislative Act 2375 in 1969. As such, the Harry S. Truman and Alexander Hamilton Airports came under the port authority's jurisdiction and control. Included in the creating act, among other things, is the power to establish rates and charges for the use of the airport facilities. The authority, however, was not granted any powers of taxation on personal or real property nor authorized to participate in the sharing of taxes levied and collected by the Virgin Islands Government.

Through the end of June 1972, the port authority was operating on a deficit of roughly \$433,000 per day. In July 1972, after public hearings had been held, the governing board of the port authority passed and adopted new rates effective July 1, 1972 and also established a passenger use fee of \$1 for each for-hire passenger departing the United States-Virgin Islands, this income being for the use of the airport facilities. The implementation of the passenger use fee is projected to generate over \$800,000 for this fiscal year, which amount represents 40 percent of our aviation revenue. We are now able to participate with ADAP assistance in the upgrading and improvement of the airports.

The territories and possessions have been receiving ADAP aid on the 25/75 percentage formula as compared to stateside airports receiving assistance on a 50/50 percentage formula. During 1969, two projects in St. Croix requiring aid were authorized and subsequently cancelled due to unavailability of port authority funds. During the last 3 calendar years in St. Thomas, only one project requiring less than \$11,000 of port authority funds was undertaken. Hundreds of thousands of dollars under the airport aid program have been available for improving the airports but the port authority was unable to provide its 25 percent share.

At present our aviation income is making it possible for us to provide our share of approximately \$2 million worth of improvements between both airports; improvements that will greatly increase safety particularly at Truman Airport. Section 1113 would prohibit the levying or collecting of a tax, fee, head charge or other charge directly or indirectly to passengers traveling in air commerce. This section would reduce our aviation income by 40 percent and return us to the previous financial position where the authority would be unable to properly expand and improve the Virgin Islands airports for the public's convenience and in their interest.

The financial dilemma that the Government of the Virgin Islands is experiencing due to the rapid change and increase in population, precludes its ability to adequately assist the authority financially in meeting this responsibility.

Of course, it is not the intent of the legislation to be detrimental to airport development. In fact, it proposes to change the mainland airports' matching formula from the 50/50 percentage to the 25/75 percentage so what the mainland airports may lose on the one hand by not charging the airport user's fee would be made up on the other hand by the 25/75 percentage formula which roughly triples the ADAP aid. In our case we would receive no more than we are presently receiving in exchange for the loss of 40 percent of our aviation income. Again, we would be back to where the Federal aid would be offered but we would find ourselves unable to put up our required 25 percent.

Just as I feel it is not the intent of this amendment to set back the airports' cause but to the contrary, there is concern that the proliferation of airport users' fees spreading from airport to airport across the country could set back and discourage transportation by air. In the case of the Virgin Islands, we find ourselves sitting out on the edge of the Caribbean Sea in the chain of islands connecting Puerto Rico with South America. All major islands in this chain have airports and the governments of these islands, French, British, and Dutch, all charge head taxes for departure by air. This source of

revenue has made it possible for these island governments to improve and develop airports and facilities. There has been no setback to air travel, but to the contrary, the improved, safer fields have attracted more aircraft activity both commercial and private and thereby increased competition between the islands and the mainland for the tourist trade.

It is my firm belief that the exclusion of the Virgin Islands from the prohibition of collecting airport users' fees would give the Virgin Islands Port Authority the needed source of revenues so as to continue with the needed development and improvement of the airports. There is no known substitute source of income that would replace this loss.

In support of the Virgin Islands Port Authority's position, I am attaching to this statement, letter from the Honorable Governor Melvin H. Evans, letter from the Virgin Islands chamber of commerce, letter from the Virgin Islands Hotel Association, and letter from John D. Merwin, chairman of the board of governors, Virgin Islands Port Authority.

Mr. JARMAN. They will be included in the hearing record.
[The letters referred to follow:]

THE VIRGIN ISLANDS OF THE UNITED STATES,
OFFICE OF THE GOVERNOR,
Charlotte Amalie, St. Thomas, March 2, 1973.

HON. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. STAGGERS: I write to request the exclusion of the Virgin Islands from the provisions of HR 2695 which would prohibit the collection of airport fees from departing passengers.

Although the formula used in making federal funds available for airport development in the Territory is three federal dollars to one local dollar, the financial condition of the Territory has been such that it could not provide sufficient matching dollars to utilize to the fullest the federal funds available to it. Forced by these financial circumstances, other sources of income were pursued, and the imposition of a departure fee turned out to be a painless and yet substantial source of additional revenues for the airport. From the figures which the Executive Director of the Virgin Islands Port Authority, which operates the airports, has submitted it is to be noted that this departure fee provides up to 40 percent of the revenues of the Authority. Cutting off this source of revenues would thus strike a disastrous blow to the operation of the airports by the Authority.

Conditions in the Territory are different from those on the mainland. We are a developing community, requiring all of the financial assistance which we can obtain. A generous Congress has established a policy of financial assistance to the Territory, and so it is reasonable to assume that the Congress would not want to deprive the Territory from obtaining revenues with which to help itself and thus not have to increase its reliance on federal assistance. This policy aspect of the problem should persuade your Committee of the validity of the Territory's position that it be excluded from the legislation now under consideration by your committee.

Your favorable action on this request that the Territory of the Virgin Islands be excluded from the provisions of HR 2695 so that it may continue to collect departure fees at the airports is strongly and urgently solicited. We shall be deeply grateful for your kind consideration.

Sincerely,

MELVIN H. EVANS, M.D.,
Governor.

ST. THOMAS-ST. JOHN CHAMBER OF COMMERCE, INC.,
Charlotte Amalie, Virgin Islands, March 2, 1973.

HON. HARLEY O. STAGGERS,
*Chairman, House Interstate and Foreign Commerce Committee, Rayburn House
 Office Building, Washington, D.C.*

DEAR MR. STAGGERS: The Board of Directors of the St. Thomas-St. John Chamber of Commerce has passed a motion in favor of the collection of airport passenger user taxes at Harry S. Truman airport on St. Thomas and to support any efforts in having the Virgin Islands exempted from proposed legislation to amend (HR 2695) the Airport and Airway Development Act which, as written, would make illegal the collection of such taxes.

The sums collected by the Virgin Islands Port Authority in passenger user fees have contributed greatly to making the Authority a self sufficient operation as well as enabling it to develop and implement plans for improvement of our airports, particularly Truman on St. Thomas, which must be upgraded to meet certain FAA standards.

To lose these funds under proposed legislation would place the future of long distance air service to St. Thomas in jeopardy. As we are a tourist oriented area, and islands, we depend to a great extent on direct air service from and to the mainland as essential to maintain our economy and to further its development.

Sincerely,

DONALD STANFORD,
President.

VIRGIN ISLANDS HOTEL ASSOCIATION (U.S.),
 ST. THOMAS-ST. JOHN CHAPTER,
St. Thomas, U.S. Virgin Islands, March 2, 1973.

Congressman HARLEY O. STAGGERS,
*Chairman of the Committee of Interstate and Foreign Commerce, House of
 Representatives, Washington, D.C.*

DEAR CONGRESSMAN STAGGERS: The St. Thomas and St. John chapter of the Virgin Islands Hotel Association (U.S.) considered the proposed amendment to HR 2695, a Bill to amend the Airport and Airway Development Act of 1970, in order to increase the United States share of allowable project cost and to amend the Federal Aviation Act of 1958 which will prohibit certain state taxation of air transportation passengers.

The Association, at its monthly meeting on February 21, 1973 voted to support the Virgin Islands Port Authority's stand which is to exclude the Virgin Islands from amendment HR 2695, as we are convinced that the collection of these airport fees in the Virgin Islands are not detrimental to the air transportation industry, and that in fact, they will have a substantial beneficial effect on the future improvement and expansion of our airports.

Thanking for your valued co-operation. We remain,

Very sincerely yours,

MICHAEL LIPPMANN,
President.

VIRGIN ISLANDS PORT AUTHORITY,
Charlotte Amalie, St. Thomas, Virgin Islands, March 21, 1973.

HON. HARLEY D. STAGGERS,
*Chairman, Committee on Interstate and Foreign Commerce,
 House of Representatives, Washington, D.C.*

DEAR MR. STAGGERS: The Governing Board of the Virgin Islands Port Authority respectfully requests the Committee to exclude the Virgin Islands from the proposed HR 2695, Section 1113, which prohibits the levy and collections of various fees in the operation of airports. Other provisions of HR 2695 would not affect the benefits presently received by the Virgin Islands nor would they increase the participation of ADAP to our territory.

Our financial position prior to the imposition of the passenger use fee was such that the Virgin Islands Port Authority was unable to participate in the needed airport improvement for the convenience and safety of the general public and the aviation industry. With the implementation of the departing passenger charge, the Port Authority's revenues have increased to the extent that it is now foreseeable that the Port Authority will be able to provide matching funds to take advantage of the financial aid extended by ADAP, thereby improving and upgrading the airport and its facilities.

Should the Virgin Islands be prohibited from collecting the passenger use fee, its financial position would again be such that the airport's facilities would remain in a status quo and continue to deteriorate.

It is evident that this source of revenue is essential to the financial success of the Virgin Islands Port Authority's progress and development of its airports in the interest and safety of the traveling public and of the airline industry.

The Committee's action to exclude the Virgin Islands from Section 1113 of HR 2095 is extremely critical to the Virgin Islands Port Authority.

Very truly yours,

JOHN D. MERWIN,
Chairman, Governing Board.

Mr. JARMAN. Just one question from the Chair: Can you generalize? For how long have the other nations with islands in the Caribbean chain been levying so-called "head taxes" on departure?

Mr. MONSANTO. I have been flying in the Caribbean since the early fifties and those charges were in effect then. They have been charging head taxes both by air and by sea to depart.

Mr. JARMAN. Well, I can understand that you have a somewhat different competitive situation there in that area.

Mr. DINGELL. What are your landing fee charges?

Mr. MONSANTO. We charge 25.5 and 27 cents per thousand pounds.

Mr. DINGELL. Do you have a passenger charge?

Mr. MONSANTO. No, just per weight.

Mr. DINGELL. Just 24 to 27 cents per thousand pounds?

Mr. MONSANTO. Yes.

Mr. DINGELL. Per landing?

Mr. MONSANTO. Per landing.

Mr. DINGELL. Do you charge it on takeoffs, too?

Mr. MONSANTO. No, just a landing fee.

Mr. DINGELL. How does this compare with charges elsewhere throughout the industry?

Mr. MONSANTO. I think it is pretty average. I have the information from the International AOCI rates pamphlet that shows what the fees are at the various airports in the country.

Mr. DINGELL. I think that would be a useful bit of information for us to receive.

Mr. Chairman, could I suggest that the staff procure for us from the FAA or CAB an idea of the landing charges?

[Testimony resumes on p. 243.]

[The following information was subsequently placed in the record by the committee:]

SUMMARY OF
CONTRACTS EXECUTED DURING
FIRST HALF - 1972

PART C. TAKE-OFF & LANDING AREA REVENUES

Between AOCI Members and
Tenants, Users, Suppliers & Concessionaires

Summaries of (1) the airport, (2) the lessee(s), (3) the expiration date of the contracts, and (4) the financial arrangements for contracts completed during the first half of 1972 are furnished in the following categories.

REVENUE SOURCES

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SCHEDULED AIR CARRIERS

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C. TAKE-OFF & LANDING AREA REVENUES

1. Take-Off, Landing & Ramp Use Fees

a. Scheduled Air Carriers

CONTRACTS EXECUTED FIRST HALF - 1972

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov				
				1	2	3	4	5
Fresno	UA, RW	2/28/77	Landing fee: \$.162/M ³ - 1st 10 million $\$/mo$.148 2nd 10 million $\$/mo$.135 3rd 10 million $\$/mo$.121 over 30 million					
	PSA	6/30/82	Same as above					
Huntsville	UA, SO, EA		\$.30/M ³ GLW					
Indianapolis	Scheduled a/lc	8/31/80	3-yr period renegotiation: \$.24/M ³ GLW - 7/1/72-12/31/72 .25/M ³ GLW - 1/1/73-12/31/73 .26/M ³ GLW - 1/1/74-12/31/74					
	AL	6/30/73	\$5,447.28/yr for 136,182 sf - ramp area					
Lincoln	NW, TW	no - no	\$.176/M ³ LW - flight training landings					
Milan	Scheduled a/lc		Landing fee: <u>Intl commercial flight -</u> Lit 400/metric ton (approx \$.69/metric ton) nr fraction thereof on 1st 25 tons Lit 600 (approx \$1.03) for ea subsequent ton nr fraction thereof <u>Domestic commercial flight -</u> Lit 200/metric ton (approx \$.34/metric ton) or fraction thereof on 1st 25 tons Lit 300 (approx \$.51) for ea subsequent ton nr fraction thereof Ramp use fee: <u>Intl commercial flight -</u> Lit 2,600/ton MATW (approx \$4.47/ton) <u>Domestic commercial flight -</u> Lit 2,100/ton MATW (approx \$3.61/ton)					

a. Scheduled Air Carriers

CONTRACTS EXECUTED FIRST HALF - 1972										
Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Milan			Four-engine aircraft tariffs: <u>B-747</u> - Lit 750,000 - cabin cleaning not included (approx \$1,289) Lit 800,000 - cabin cleaning included (approx \$1,375) <u>B-707</u> - Lit 230,000 (approx \$395) <u>DC-8-40</u> - Lit 240,000 (approx \$412) <u>DC-8-60</u> - Lit 280,000 (approx \$481)							
Nashville -Metro	AA, AL, BN, DL, EA, SO, PI, OZ, TW	6/30/2001	\$.17/M# - adjusted as 6 mos, recognizing diff bet all expenditures & receipts, excluding landing fees							
New York -LGA	Scheduled a/lr	12/31/72	Established tentative flight fee @ \$1.15 from \$1.00/M# MGLW to reflect investment increase							
-Kennedy	Scheduled a/lr	12/31/72	Established tentative flight fee @ \$.3125 from \$.30/M# MGTW to reflect anticipated increase in costs							
San Diego	AA, Air Calif, RW, DL, NA, PSA, UA, WA	3/4/77	\$.333/M#							
Savannah	DL, NA	1981	\$.125/M# MLW							
Seattle	RW	no - no	\$.10 psfpa for 21,000 sf - paved ramp area							
	Scheduled a/lr		\$1.08/M# MGTW							
Washington, DC -Dulles	Alitalia	12/31/73	Pay authorized landing & mobile lounge usage fees; no excl tarm space - handled by another scheduled carrier							

NON-SCHEDULED, AIR TAXI & CHARTER

C - 1 - b

C. TAKE-OFF & LANDING AREA REVENUES

1. Take-Off, Landing & Ramp Use Fees
- b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED FIRST HALF - 1972

Member	Lesses	Expiration Date	Arrangements	Fac & Serv Prov				
				1	2	3	4	5
Birmingham	Jim Hankins Airway, Inc	5/31/73	\$1.50/landing or \$.145/M# GLW, whichever is greater					
	Semo Aviation	1/21/73	Same as above					
	Southeast Computer A/Ls, Air Concepts, Inc	mo - mo	Same as above					
Boeing Field	Air Courier, Inc	mo - mo	\$.20/M# GTW, min \$2.00/landing					
	Gross Aviation	mo - mo	Same as above (non-scheduled commercial air taxi & cargo ops)					
El Paso	Roswell A/Ls		\$1.25/landing					
Huntsville	Non-scheduled a/l's		\$.30/M# GLW					
Indianapolis	Air Freight Svcs	6/30/74	Mail handling agreement: \$100/mo or 5% of gross, whichever is greater					
	Ind Beechcraft, Gates Aviation Corp		\$.27/M# GLW as aircraft					
Jacksonville	Fla A/Ls, Shawnee A/Ls	1/73	\$300/mo or \$.19/M# MGLW, whichever is greater - public aircraft facilities \$300/yr - ramp loading area					
Kansas City -MEC	Ortner Air Svc	5/31/73	\$.25/M# MLW ea arriving aircraft, min annual payment \$4,800; 30-day cancellation either party					
Los Angeles	Golden West A/L	mo - mo	\$3.00/helicopter landing					
Memphis	Central Flying Svc, Ross Av	mo - mo	\$.128/M# TW - mail flights using cargo apron					
Milwaukee	Besler Flight Svc	mo - mo	\$2.50 min landing fee for aircraft under 12,500 # MGLW - license for landing of aircraft engaged in transp of US mail					

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED FIRST HALF - 1972

Member	Lessee	Expiration Data	Arrangements	Fsc & Serv Prov						
				1	2	3	4	5	6	
New York -LGA	Non-scheduled business & private aircraft	12/31/72	Established flight fee @ \$1.19 from \$1.05/M# MGLW to reflect investment increase							
Portland, Ore	Boise Av, Cascade Airways, Roas Aviation	mo - mo	\$.49/M#							
	Boeing Co	12/31/72	\$.49/M#/landing - touch & go landing agreement							
St. Louis	Sisk Aviation, Hamilton Av, Buckeye Av, Skyway Aviation	mo - mo	\$6.00/landing for aircraft w/max weight of 12,000 lbs - post office air taxi operator							
Tulsa	Tricon A/Ls	mo - mo	\$25/mo activity fee for one daily scheduled air freight flight in lieu of landing fee							
Washington, DC -National	AeroMech, Inc	11/30/73	Pay landing fees thru FBO - scheduled air commuter							
	Dela Air Freight Co	2/28/74	Pay landing fees thru FBO - scheduled air cargo							

LANDING FEES OTHER

C - 1 - d

C. TAKE-OFF & LANDING AREA REVENUES

- I. Take-Off, Landing & Ramp Use Fees
- d. Other (Military)

CONTRACTS EXECUTED FIRST HALF - 1972

Member	Lessee	Expiration Data	Arrangements	Fac & Serv Prov				
				1	2	3	4	5
Indianapolis	MATS	4/30/73	\$200/mo ea aircraft or \$.20/M# GLW, whichever is greater					
Milwaukee	USAF Reserve	3/31/73	\$.23/M# MGLW					

C. TAKE-OFF & LANDING AREA REVENUES

2. Aircraft Parking

s. Scheduled Air Carriers

CONTRACTS EXECUTED FIRST HALF - 1972

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov							
				1	2	3	4	5	6		
Fresno	UA, RW	2/28/77	Charge if parked over 4 hrs:								
			Type	Daily	Monthly						
			DC-8-61	\$39.00	\$390.00						
			727-100	22.00	220.00						
			727-200	24.00	240.00						
			DC-9-32	16.00	160.00						
	PSA	6/30/82	737	16.00	160.00						
			727-100	22.00	220.00						
			727-200	24.50	245.00						
New York -LGA	Airlines	indef	\$.15 to \$.20 psf - paved aircraft parking hardstands								
Washington, DC -Dulles	PA	12/31/73	\$4,500/yr - aircraft parking position								

C. TAKE-OFF & LANDING AREA REVENUES

2. Aircraft Parking

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED FIRST HALF - 1972

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov				
				1	2	3	4	5
Nashville -Metro	Wings Away	mo - mo	\$100/mo - ramp parking for M404 aircraft					

C - 2 - d

AIRCRAFT PARKING OTHER

C. TAKE-OFF & LANDING AREA REVENUES

2. Aircraft Parking

d. Other (Military)

CONTRACTS EXECUTED FIRST HALF - 1972

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
LosAngeles	US Coast Guerd	6/30/76	\$1.00/yr - helicopter perking							

SUMMARY OF
CONTRACTS EXECUTED DURING
SECOND HALF - 1971

PART C. TAKE-OFF & LANDING AREA REVENUES

Between AOCI Members and
 Tenants, Users, Suppliers & Concessionaires

Summaries of (1) the airport, (2) the leasee(s), (3) the expiration date of the contracts, and (4) the financial arrangements for contracts completed during the second half of 1971 are furnished in the following categories.

	<u>REVENUE SOURCES</u>	<u>Page</u>
C.	<u>TAKE-OFF & LANDING AREA REVENUES</u>	
1.	<u>Take-Off, Landing & Ramp Use Fees</u>	
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2.	<u>Aircraft Parking</u>	
a.	Scheduled Air Carriers.....	61
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SCHEDULED AIR CARRIERS

C - 1 - a

C. TAKE-OFF & LANDING AREA REVENUES

1. Take-Off, Landing & Ramp Use Fees
 - a. Scheduled Air Carriers

CONTRACTS EXECUTED SECOND HALF - 1971

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov					
				1	2	3	4	5	
Denver	Compania Mexicana de Aviacion, SA	1/1/78	\$.17/M# MGLW on revenue flights & \$.085/M# on non-revenue flights w/min of \$2.50 whether for rev or not Subj to review & reestablishment 1/1/73						
Des Moines	BN, OZ	12/31/82	\$.195/M# LW						
Flint	UA, NG	8/1/74	\$.185/M#						
Greensboro	OL, EA, PI, UA	4/30/73	\$.15/M# LW						
Lincoln	UA, FL	1/1/74	\$.176/M#						
			RON 21,000- 26,000 lbs \$ 3.30 26,001- 35,000 4.68 35,001- 50,000 6.60 50,001- 70,000 9.24 70,001- 90,000 11.88 90,001-120,000 15.84 120,001-150,000 24.20 150,001-180,000 28.60 180,001-210,000 33.00 210,001-240,000 38.50 240,001-270,000 44.00 270,001-300,000 49.50 Over 300,000 55.00						
Massport	Airlines		\$.265/M# - lessees						
New York -JFK	Airlines		\$.3125/M# MGTW - lessees						
-LGA	Airlines		\$1.152/M# MGLW - lessees						
-EWR	Airlines		\$.55/M# MGTW - lessees						
San Antonio	AA, BN, CO, EA, Mexicana de Aviacion, TT	7/31/72	Monthly surcharge of \$.04/M# approved MGLW for ea flight scheduled to land at SAT is eliminated						
Sao Jose	Scheduled carriers		Landing fees incr from \$.15 to \$.18/M# MGLW effective 6/1/71. Covers all ops regardless of purpose.						

C - 1 - a

SCHEDULED AIR CARRIERS

s. Scheduled Air Carriers

CONTRACTS EXECUTED SECOND HALF - 1971										
Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Springfield	DL, OZ	12/31/74	\$.10/M ⁰ approved MLW for CY 72 .105/M ⁰ CY 73 .11/M ⁰ CY 74							

C. TAKE-OFF & LANDING AREA REVENUES

1. Take-Off, Landing & Ramp Use Fees

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED SECOND HALF - 1971

Member	Lessee	Expiration Date	Arrangements	Fec & Serv Prov				
				1	2	3	4	5
Alaska -Anchorage	Atlantic Richfield, Golden Sun Air Cargo		\$.30/M ^o MGTW					
Birmingham	Volunteer A/L	mo - mo	\$1.50/lending (6,000 lbs)					
Connecticut -Bradley	Pilgrim, North Amer A/L	6/30/74	\$.107/M ^o - commuter air carriers					
-Trumbull	Pilgrim	6/30/74	\$.08/M ^o					
Denver	Royal Amer Flyers	8/1/72	Revoceable permission to con- duct flight training & air- craft rentals. No monetary consideration.					
	Star Aviation	5/1/72	Same as above					
	Rosa Aviation	1/1/73	\$.17/M ^o MGLW for revenue flights & \$.085/M ^o on non- rev flights w/min of \$2.50 whether for rev or not					
Des Moines	Brower Flight Svc	7/1/72	\$151/mo activity fee					
Flint	TrensMichigan	6/1/72	\$300/mo					
Greensboro	Burlington Industries	9/30/72	\$.233/M ^o GLW - 1g cargo a/c					
	Blue Bell	6/15/72 auto renewal	Same as above					
Indianapolis	AirWisconsin	6/30/72	\$200/mo/plane or \$.15/M ^o , whichever is greater + \$50/mo ramp fee for cargo svc					
	Hub Air	8/31/72	\$200/mo or \$.15/M ^o , whichever is greater					
	Midwest Com- puter	6/30/72	\$200/mo/plane					
Lincoln	TransNebraska	mo - mo	\$2/landing or \$.16/M ^o , which- ever is greater					

C - 1 - b

NON-SCHEDULED, AIR TAXI & CHARTER

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED SECOND HALF - 1971										
Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Manchester	Bus aircraft		\$.15/M ^h LW w/\$1.00 min Fees collected by FBO for 25% of cash collected & 15% of fees billed by Authority							
Massport			\$.285/M ^h - non-lessees							
Memphis -Intl	Control Flying Svc	mo - mo	\$.128/M ^h - contract mail carrier							
Milwaukee	Midstate Air Commuter	mo - mo but not beyond 3/31/73	\$2.50 min landing fee for a/c under 12,500 lbs MGLW							
	Semo Aviation	mo - mo	\$2.50 min for a/c under 12,500 lbs MGLW - contract mail carrier							
Nashville -Metro	Semo Aviation	mo - mo	\$50/mo or \$2.50/landing - contract mail carrier							
New York -JFK			\$.35/M ^h MGTW - non-lessees							
-LGA			\$1.20/M ^h MGTW - non-lessees							
-LHR			\$.55/M ^h MGTW - non-lessees							
Orlando -Harnden	Central Fls Helicopter Svc	12/13/72	Helicopter svc: 2% of gross							
Philadel- phio	Metro Flight	8/31/73	\$.25/M ^h - helicopter svc, sub- tenant to AA							
	Flightways Corp	8/31/73	\$.25/M ^h - helicopter svc							
Portland, Me.	Air New England	11/15/72	\$600/mo, 10 take-offs/day 12,500 lbs max wt \$.25/M ^h over 12,500 lbs							
	Aroostook A/W	10/72	\$100/mo, 60 take-offs/mo 5,200 lbs MTW \$.25/M ^h over 60 take-offs/mo							
	Exec Airlines	6/30/72	\$700/mo, 17 take-offs/day 12,600 lbs max wt \$.25/M ^h over 17 take-offs/day							

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED SECOND HALF - 1971

Member	Leases	Expiration Date	Arrangements	Fac & Serv Prov				
				1	2	3	4	5
Portland, Me. (cont)	Manchester Av, Corporate Air	9/72	\$200/mo, 60 take-offs/mo 5,200 lbs max wt \$.25/M ³ over 60 take-offs/mo					
Portland, Ore.	Cascades A/W	mo - mo	\$3.50/lending or prevailing amt/M ³ MGLW, whichever is higher - air taxi mail operator					
St. Louis	Travelair, Inc	12/31/72	\$3.00/flight for apron facilitia					
	Pro A/L, Hankins Air Svc	indef	\$6/flight for apron facilitia					
	Rosa Aviation	8/1/72	\$6/flight for apron facilitia					
San Jose	Itinerant commercial flights		Under 3,500 # MGLW	1.50/op				
			3,501- 5,200	2.00				
			5,201-10,200	2.50				
			10,201-20,000	4.75				
			20,001-30,000	7.00				
			30,001-45,000	11.00				
			45,001-75,000	18.00				
	Over 75,000 - \$.25/M ³ MGLW							
Seattle	San Juan Airlines	mo - mo	2 1/2% of gross from previous month's enpl pax or \$100/mo min					
Washington -National	Intl Air Cargo	10/30/73	Commuter cargo carrier: pays landing fees to FBO; a/p receives 90% of gross from FBO					
	AeroMech, Inc	11/30/73	Commuter air carrier: pays landing fees to FBO; a/p receives 90% of gross from FBO					
Wayne County	Buckeye Air Svc, Hub Air- lines	mo - mo	\$.50/M ³ approved MLW					

C - 1 - d

LANDING FEES OTHER

- C. TAKE-OFF & LANDING AREA REVENUES
 1. Take-Off, Landing & Ramp Use Fees
 d. Other (Military)

CONTRACTS EXECUTED SECOND HALF - 1971

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Spokane	Boeing Co	12/31/72	Full-stop landings charged & payable @ \$.40/gross ton. Touch-&-go landings charged & payable @ \$.20/gross ton MELW							

SCHEDULED AIR CARRIERS

C - 2 - a

C. TAKE-OFF & LANDING AREA REVENUES
 2. Aircraft Parking
 a. Scheduled Air Carriers

CONTRACTS EXECUTED SECOND HALF - 1971

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov				
				1	2	3	4	5
Seattle	CO	no - no	\$.10 psfps for approx 30,000 sq ft ramp area for overnight parking					

SUMMARY OF
CONTRACTS EXECUTED DURING
FIRST HALF - 1971
C. TAKE-OFF AND LANDING AREA REVENUES

Between AOCI Members
and
Tenants, Users, Suppliers & Concessionaires

Summaries of (1) the airport, (2) the lessee(s), (3) the expiration dates of the contracts, (4) the financial arrangements for contracts completed during the first half - 1971, and (5) facilities and services provided by the airport (1 - east, 2 - light, 3 - air conditioning, 4 - janitor service, 5 - bare wall interior, 6 - finished interior) are furnished in the following categories.

REVENUE SOURCES

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2. <u>Aircraft Parking</u>	
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CROSS-REFERENCE

C-1-c General Aviation Landing Fees
See also: C-1-b New York (LGA)

SCHEDULED AIR CARRIERS

C-1-a

C. TAKE-OFF AND LANDING AREA REVENUES

1. Take-Off, Landing & Ramp Use Fees
- e. Scheduled Air Carriers

CONTRACTS EXECUTED FIRST HALF - 1971

Member	Leases	Expiration Date	Arrangements	Fac & Serv Prov					
				1	2	3	4	5	6
Albuquerque	CO, FL, TT, TW	1-1-81	\$.12 per 1000#GLW thru 12-31-72; \$.13 per 1000# thru 12-31-75; \$.145 per 1000# thru 1-1-78; \$.155 per 1000# thru 12-31-80						
Birmingham	DL	4-30-95	Landing Fees: May 1, 1971 - 14.5c/1000 lbs.; Sept. 1, 1972 - 16c/1000 lbs. Upoo occupancy of oaw building (and of 1973) - 18.5c/1000 lbs.						
Los Angeles -International	Scheduled Airlines	continuing	Landing Fee Resolution: 33.5c per 1000 lbs. landing weight.						
Milwaukee	EA,NC,NW,OZ,UA	3-31-73	Landing Fees: \$.23/M lbs. MGLW for period 4-1-71 to 3-31-72. Both parties have the right, but not the obligation, to propose a different rate for succeeding year.						
New York -Kennedy	Scheduled Airlines	12-31-71	Established tentative flight fee at \$.30 from \$.29 per thousands pounds of maximum gross takeoff weight to reflect anticipated increase in costs.(Billing rate subject to quarterly review.)						

SCHEDULED AIR CARRIERS

C - 1 - a

a. Scheduled Air Carriers

CONTRACTS EXECUTED FIRST HALF - 1971

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3/4	5	6		
San Diego	Delte, Western, American, United, Pacific Southwest, and National Airlines	4/72	Landing fees - 19c/1000 lbs. versus \$2 minimum							
Savannah	DL, NA	Sept. '81	13.1c/1000 lbs. to 10,000,000 lbs. 11.9c all over 10,000,000 lbs.							
Tulsa	All Air Carriers - American Braniff Continental Ozark Frontier TWA	3-31-74	Landing Fees increased to \$.14 for each 1,000 pounds of approved maximum landing weight of aircraft.							
Wayne County (Detroit)	Flying Tiger	2-28-2010	Airport Use Agreement 9.26c per thousand pounds of maximum approved landing weight							
Rock Island Co. (Moline)	Ozark Airlines	12-31-74	Landing Fees - \$.12/M ³ GCLW							

NON-SCHEDULED AIR TAXI & CHARTER

C - 1 - b

C. TAKE-OFF AND LANDING AREA REVENUE

1. Take-Off, Landing & Ramp Use Fees
- b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED FIRST HALF - 1971

Member	Leases	Expiration Date	Arrangements	Fees & Serv Prov					
				1	2	3	4	5	6
Denver	Trans-Nebreska Airlines, Inc.	1-1-78	Landing Fees: 17c per 1,000 maximum gross landing weight on revenue flights, 8.5c on non-revenue, minimum of \$2.50 on either. Rates to be re-established 1-1-73.						
Indianapolis	Air Wisconsin	Mon. to mon.	\$100/mo each aircraft 50/mo ramp use charge						
Jackson -Thompson	South Central Air Transport Inc.	Mon. to mon.	\$3.00 per landing						
Los Angeles -International	Non-Scheduled and Supplemental	continuing	38.5c per 1,000 lbs. landing weight						
Memphis -International	SEMO Aviation	Indef.	Third level carrier - Take-off fee \$5.00 per aircraft						
Milwaukee	Non-Scheduled Fontana Aviation, Inc.	Mon. to mon.	\$2.50 minimum landing fee for aircraft under 12,500 lbs, MGLW excepted to transportation of U.S. Mail						
Nashville -Metropolitan	Volunteer Airlines	Mon. to mon.	Landing Fee - \$2.00 per each revenue landing						
New Orleans	South Central Air Transport, Inc.	6-14-73	11c per thousand pounds						
New York -LaGuardia	Non-Scheduled, Business & Private, etc. Aircraft	12-31-71	Established flight fee at \$1.05 from \$0.95 per thousand pounds of maximum gross landing weight to reflect investment increase.						

NON-SCHEDULED, AIR TAXI & CHARTER

C - 1 - b

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED FIRST HALF - 1971

Member	Lessee	Expiration Date	Arrangements	Fec & Serv Prov						
				1	2	3	4	5	6	
Oriental -Harndoo	The Atlanta Air Inc.	1-14-72	Landing fees at .10/lb or \$1.00 Minimum Charge per landing, whichever is more							
St. Louis	SEMO Aviation	3-31-72	\$3.00 per landing of aircraft under 12,000 pounds							
	Traza Mo	12-31-72	Same							
	Skyway Aviation	12-31-71	Same							
	Air Illinois	4-24-72	\$6.00 per landing of aircraft under 12,000 pounds.							
Seattle-Tacoma	Cross Sound Commuter Services	Mon. to mon.	2 1/2% of gross revenues from previous month's enplaning passengers or \$100 per month minimum fee.							
	Eagle Airline, Inc.	Mon. to mon.	2 1/2% of gross revenues from previous month's enplaning passengers or \$100 per month minimum fee							
	Oak Harbor Airline, Inc.	Mon. to mon.	2 1/2% of gross revenues from previous month's enplaning passengers or \$100 per month minimum fee.							
Tulsa	SMYER, SMO	3-31-74	Landing Fees increased to \$.14 for each 1,000 pounds of approved maximum landing weight of aircraft							
Washington, D.C. - Dallas	Cavalier Airways Corp.	2-29-72	\$100 + landing fees & ramp charges (air charter & aircraft rental)							
Wayne County (Detroit)	Bentley Flight		Security Deposit Adjusted to \$200.00							
Des Moines	Brower Flight Service	7-1-72	Air Taxi Service: \$151/mn; fuel commissions waived							

OTHER (MILITARY)

C - 1 - d

C. TAKE-OFF AND LANDING AREA REVENUES

1. Take-Off, Landing & Ramp Use Fees

d. Other (Military)

CONTRACTS EXECUTED FIRST HALF - 1971

Member	Lassaa	Expiration Date	Arrangements	Fac & Serv Prov					
				1	2	3/4	5	6	
Milwaukee	<u>Military</u> USAF Reserva	3-31-72	Landing Fees: \$.23/M lbs. MCLW						
	Wia. Air National Guard	6-30-73	Landing & Field Use Fee: \$20,500 per annum						
St. Louis	Missouri Air National Guard	6-30-72	Landing fee of \$1,500 per month and furnish various crash and fire equipment						

OTHER

C - 2 - 4

C. TAKE-OFF & LANDING AREA REVENUES

2. Aircraft Parking

d. Other

CONTRACTS EXECUTED FIRST HALF - 1971

Member	Lessee	Expiration Data	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Mamphis -Internationa	Civil Air Petrol	Mon. to mon.	Fes for apron parking - \$2.50 per month per aircraft							
Milwaukee	Air Holiday, Inc.	Mon. to mon.	\$50 per month ramp charge for parking of aircraft (travel club)							

SUMMARY OF
CONTRACTS EXECUTED DURING
SECOND HALF - 1970
C. TAKE-OFF AND LANDING AREA REVENUES

Between AOCI Members
and
Tenants, Users, Suppliers & Concessionaires

Summaries of (1) the airport, (2) the leases(e), (3) the expiration date of the contracts, (4) the financial arrangements for contracts completed during the second half - 1970, and (5) facilities and services provided by the airport (1 - heat, 2 - light, 3 - air conditioning, 4 - janitor service, 5 - bare well interior, 6 - finished interior) are furnished in the following categories.

REVENUE SOURCES

C.	<u>TAKE-OFF AND LANDING AREA REVENUES</u>	Page
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	2. <u>Aircraft Parking</u>	
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	b. Non-Scheduled, Air Taxi & Charter	64
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SCHEDULED AIR CARRIERS

C - 1 - a

C. TAKE-OFF AND LANDING AREA REVENUE

1. Take-Off, Landing & Ramp Use Fees

a. Scheduled Air Carriers

CONTRACTS EXECUTED SECOND HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fec & Serv Prov					
				1	2	3/4	5	6	
Alaska -Fairbanks	Scheduled		\$.30/ M lbs. of certified maximum gross weight over 6,000 lbs.						
Akron- Canton			\$.07/ M lbs. based on frequency of schedule.						
Boeing Field	Cascade Airways	no - no	2% enplaned passenger revenue.						
Fort Worth -Greater SW	AA	5/5/89	\$.12/ M lbs. for each 100,000 lbs. \$.09/ M lbs. for 100,000 to 150,000 lbs. \$.04/ M lbs. weight in excess of 150,000 lbs.						
Los Angeles	Scheduled		\$28.5/ M lbs.						
	CO	no - no	\$39.60 per month; 1320 sq. ft. ramp						
Oklahoma City	SI,TW,FL,AA,CO	11/30/71	\$.12/ M lbs. approved maximum weight, from 8/1/69 thru 12/31/69; \$.13/ M lbs. from 1/1/70 thru 12/13/70; \$.14/ M lbs. from 1/1/71 thru 11/30/71.						
Peducah	DL,OZ	10/31/71	\$.10 MGLW						
Phoenix	All user airlines	*	\$.1801/ M lbs. MGLW *Operating under an ordinance which is subject to change. Policy is that scheduled airlines will pay their proportionate share of providing, operating, maintaining and administering the airfield						

C - 1 - a

SCHEDULED AIR CARRIERS

e. Scheduled Air Carriers

CONTRACTS EXECUTED SECOND HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
New York -LaGuardia	Scheduled	12/31/71	Established tentative flight fee at \$1.0870 from \$1.0332/ M lbs. MGLW to reflect anticipated increase in investment.							
-Kennedy	Scheduled	12/31/71	Established tentative flight fee at \$.29 from \$.26/ M lbs. MGLW to reflect anticipated increase in costs. (Billing rate subject to quarterly review).							
-Newark	Scheduled	12/31/71	Increase take-off fee tariff from \$.46 to \$.49/ M lbs. MGLW to compensate for increased investment.							
Seattle	Flying Tiger	12/31/98	\$.59/ M lbs. of loaded weight							

NON-SCHEDULED, AIR TAXI & CHARTER

C - 1 - b

C. TAKE-OFF AND LANDING AREA REVENUES

1. Take-Off, Landing & Ramp Use Fees

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED SECOND HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fsc & Serv Prov						
				1	2	3	4	5	6	
Alaska -Fairbanks			\$.30/ M lbs. of certified maximum gross weight over 6,000 lbs.							
Iodiansopolis	Buckeye Air, Owasboro Aviation, Combs Airways, Sedalia- Marshall- Boonville Stage Line	7/1/72 theo no - no	\$ 100.00 per aircraft (Sedalia, Marshall, Boonville Stage Line contract was replaced by one with Buckeye 2/8/71, same terms).							
Kern County (Bakers- field)	Valley Airlines	no - no	\$.12/ M GLW per month.							
Los Angeles			Non-scheduled: \$ 33.5 M lbs. Air taxi: \$ 3.00 per landing							
	LA Airways	8/2/71	Ramp use- ground rental \$26.00 per month.							
	Golden West Airlines	8/19/71	Ramp use- ground rental \$58.00 per month.							
Moochesteer	Executive Airline	no - no	\$.15/ M lbs. GLW							
Milwaukee	Air Michigan	3/31/73	\$2.50 minimum landing fee for aircraft under 12,500 lbs. MGLW							
Nashville -Smyrna	Capitol Int'l Airways	10/30/75	\$.1375/ M lbs. (for training flights in excess of 150 flights per year).							

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED SECOND HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fso & Serv Prov						
				1	2	3	4	5	6	
Portland, Maine	Air New England	11/71	10 takeoffs per day for aircraft under 12,500 lbs \$600.00/month							
Seattle	Seattle Flight Service	no - no	2 1/2% of gross revenues from previous month's enplaning passenger.							
Wayne County (Detroit)	Helicopter Airways		Security deposit increased to \$200.00							
	Hub Airlines		Security deposit increased to \$750.00							
	Metro Air Service		Security deposit increased to \$200.00							
	Trans. Mich. Airlines		Security deposit increased to \$750.00							

GENERAL AVIATION

C - 1 - c

C. TAKE-OFF AND LANDING AREA REVENUES

- 1. Take-Off, Landing & Ramp Use Fees
- o. General Aviation

CONTRACTS EXECUTED SECOND HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov					
				1	2	3/4	5	6	
Alaska -Fairbanks			\$.30/ M lbs. of certified maximum gross weight over 6,000 lbs.						
Akron- Canton			\$.30/ M lbs. (Itinerent fees)						
Tri-City (Saginaw)			Aircraft over 12,500 lbs. gross pay \$.25/1000 lbs. Waived if fuel purchased.						

OTHER (MILITARY)

C - 1 - d

C. TAKE-OFF AND LANDING AREA REVENUES1. Take-Off, Landing & Ramp Use Fees
d. Other (Military)

CONTRACTS EXECUTED SECOND HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Indianapolis	AIR VAC U. S. Army	6/30/71	\$4,380.00/yr.							
	Indiana Helicopter Corp.		Public Agency service (ambulance, surveillance, safety patrol)							
Oakland	All Users	6/30/71	B-747 training landings \$.18/ M lbs.							

SCHEDULED AIR CARRIERS

C - 2 - a

C. TAKE-OFF AND LANDING AREA REVENUES

2. Aircraft Parking

a. Scheduled Air Carriers

CONTRACTS EXECUTED SECOND HALF - 1970

Member	Leases	Expiration Data	Arrangements	Fac & Serv Prov					
				1	2	3/4	5	6	
Alaska -Fairbanks			\$.15/ M lbs. of certified maximum gross weight over 6,000 lbs. Aircraft utilizing airport services such as fueling or repair are not subject to charge for first 3 hours after landing.						

NON-SCHEDULED, AIR TAXI & CHARTER

C - 2 - b

C. TAKE-OFF & LANDING AREA REVENUES

2. Aircraft Parking

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED SECOND HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Pac & Serv Prov						
				1	2	3	4	5	6	
Aleaska -Fairbenke			\$.15/ M lbs. of certified maximum gross weight over 6,000 lbs. Aircraft utilizing airport services such as fueling or repair are not subject to charge for first 3 hours after landing.							
Lockheed Air Terminal (Burbenk)	Air Nevada	no - no	Aircraft Parking Stall (13,000 sq. ft.) with tool/storage area @ \$240.00 per month.		x					
	Galaxy Air Lines	no - no	Aircraft Parking Stall (13,000 sq. ft.) with tool/ storage @ \$225.00 per month.		x					

GENERAL AVIATION

C - 2 - a

C. TAKE-OFF & LANDING AREA REVENUES

2. Aircraft Parking

c. General Aviation

CONTRACTS EXECUTED SECOND HALF - 1970

Member	Lessee	Expiration Data	Arrangements	Fee & Serv Prov					
				1	2	3/4	5	6	
Alaska -Fairbanks			\$.15/M lbs. of certified maximum gross weight over 6,000 lbs. Aircraft utilizing airport services such as fueling or repair are not subject to charge for first 3 hours after landing.						

OTHER

C - 2 - d

C. TAKE-OFF & LANDING AREA REVENUES2. Aircraft Parking

d. Other

CONTRACTS EXECUTED SECOND HALF - 1970

Member	Leases	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Lockhead Air Terminal (Burbank)	International Displays, Inc.	no - no	Aircraft Parking Stall (13,000 sq. ft.) with tool/storage @ \$230.00 per month.		x					
Milwaukee	Malibu Travel Club	no - no	\$50.00 per month ramp charge for parking of aircraft.							

SUMMARY OF
CONTRACTS EXECUTED DURING
FIRST HALF - 1970
C. TAKE-OFF AND LANDING AREA REVENUES

Between AOCI Members
and
Tenants, Users, Suppliers & Concessionaires

Summaries of (1) the airport, (2) the lease(s), (3) the expiration date of the contracts, (4) the financial arrangements for contracts completed during the first half - 1970, and (5) facilities and services provided by the airport (1 - heat, 2 - light, 3 - air conditioning, 4 - janitor service, 5 - bare wall interior, 6 - finished interior) are furnished in the following categories.

REVENUE SOURCES

<u>C. TAKE-OFF AND LANDING AREA REVENUES</u>	Page
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2. <u>Aircraft Parking</u>	
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c. General Aviation	69
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SCHEDULED AIR CARRIERS

C - 1 - a

C. TAKE-OFF AND LANDING AREA REVENUES
 1. Take-Off, Landing & Ramp Use Fees
 a. Scheduled Air Carriers

CONTRACTS EXECUTED FIRST HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Alaska -Anchorage	Alitalia		\$.30/ M #CMEW over 6,000 lbs.							
Burbank	UA	no - no	Paved ramp \$.0125 per sq. ft. per month							
	Air West, Inc.		Increase in Pit Fee to \$.35 per outbound passenger							
Cincinnati	NC	12/16/70	\$.16 per 1,000 lbs. first 15,000 lbs. \$.15 per 1,000 lbs. second 15,000 lbs. \$.14 per 1,000 lbs. over 30,000 lbs.							
Columbia	Airlines	1974 (Renewable thru 1981)	\$.12 per 1,000 lbs. maximum gross							
Colorado Spgs	BN,CO,FL	6/30/71	\$.155/M#							
El Paso	AA,CO,FL,TT	12/31/74	\$.13/M#							
Ft. Worth -Grater Southwest	AA	5/5/89	\$.12/M# 1st 100,000 lbs. \$.09/M# next 50,000 lbs. \$.04/M# over 150,000 lbs.							
Kansas City	Scheduled		\$.09/M#							
Los Angeles -Internet'l	TT	3/31/87	\$.16/M# MCGLW							
Memphis	10 Scheduled Airlines	25-year term commencing with completion of terminal expansion in 2-3yrs.	Landing fee: \$.175/M# MLW subject to adjustment each two yrs. to provide "break-even" operation of Airport. Aircraft loading positions @ \$35.68 per linear foot per annum.							

a. Scheduled Air Carriers

CONTRACTS EXECUTED FIRST HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fec & Serv Prov						
				1	2	3	4	5	6	
Memphis -(Continued)			Above rates to be re-calculated 6 months prior to beneficial occupancy of expanded terminal.							
Milan	Scheduled Air Carriers		Lit. 500/metric ton of MATW(\$.80) (domestic flights) Lit. 700/metric ton of MATW(\$1.12) (international flights) Ramp Use: Lit. 1,650/metric ton of MATW(\$2.64) (domestic flights) Lit. 2,100/metric ton of MATW(\$3.36) (international flights) Lit. 1,900/metric ton of MATW(\$3.04) (cargo flights) Lit. 220,000/aircraft (\$352) (DC-8, Boeing 707)							
Milwaukee	EA, NC, NW, OZ, UA	3/31/73	Landing fee: \$.19/M# MGLW first year only. Both parties have right to propose a different rate for either of the two succeeding yrs.							
Oklahoma City	CO	12/31/71	Increase landing fees from \$.11/M# to \$.14 by January 1, 1971.							
	AA	6/23/71	Same as above.							
Penna -Olmsted			\$.20/M#							
Spokane	Japan Air.	2/8/71	\$.20/M# GLW							

SCHEDULED AIR CARRIERS

C - 1 - a

a. Scheduled Air Carriers

CONTRACTS EXECUTED FIRST HALF - 1970										
Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Toledo	AL	3/31/87	Increase landing fees to: Scheduled trips 1st day of month: <u>Each</u> first 4 landings \$181.50 5 - 8 landings \$163.35 9 - 10 landings \$145.20 11 - 12 landings \$108.90 13th landing \$ 90.75 all over 13 " \$ 60.50	x						
	DL,UA	10/31/84	Same as Allegheny	x						
	EA	1/5/85	Same as Allegheny	x						

NON-SCHEDULED, AIR TAXI & CHARTER

C - 1 - 5

C. TAKE-OFF AND LANDING AREA REVENUES

1. Take-Off, Landing & Ramp Use Fees

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED FIRST HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fec & Surv Prov						
				1	2	3	4	5	6	
Alaska -Anchorage	Air Canada		\$.30/M# of certified MGW over 6,000 lbs.							
Burbank	Holiday Airlines		Increase in flight fees to \$.35 per outbound passenger.							
	Pacific Southwest Airlines		\$.16/M# of MCGLW, revenue flights.							
Denver	Chaparral Airlines, Ambassador Corp.	1/1/78	\$.17/M# MGLW on revenue flights; \$.085 on non-revenue, minimum of \$2.50 per landing whether for revenue or not. Subject to re-establishment 1/1/73.							
Des Moines	S-M-B Lines, Inc.	2/28/71	\$2.50 per aircraft landed at airport							
Detroit	Air Michigan, Inc.	mo - mo	\$.40/M# MALW							
Indianapolis	Varcoa (Allegheny Commuter)	12/31/71	\$200 per month							
	Hub Alpha	3/15/71	\$200 per month							
Kansas City			\$2.00 landing fee for aircraft under 12,500#, revenue flights							
Lafayette -La	Air East Airlines	3/31/71	\$.17/M# per landing - minimum \$1.50 each as per schedule first of month. *							
	Royale Airlines	4/30/71								
Louisville -Standiford	Wright Airlines	mo - mo	\$.17/M#							

* (Lafayette, La): 2 commuters were given yearly contract on a trial basis both required to post a forfeiture cash bond as insurance to continuing service for one year.

C - 1 - b

NON-SCHEDULED, AIR TAXI & CHARTER

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED FIRST HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Milwaukee	Air Wisconsin	3/31/73	\$2.50 minimum landing fee for aircraft under 12,500 lbs. MGLW							
	Fontana Av Inc.	no - no	License for landing of aircraft engaged in transport of U.S. mail by air: \$2.00/landing of aircraft weighing 12,500 lbs. or less.							
Oklahoma City	Altus Airlines	2/26/71	\$360 per year per aircraft	x	x	x	x			
	Kerr Aviation	1/71	\$375 per month rental on ramp service agreement.							
Penns -Olmsted			\$.20/M#							
Portland -Maine	Executive Airlines	6/71	10 takeoffs per day for aircraft 12,500 lbs or less @ \$750 per month.							
	Aroostook Airways	6/71	2 takeoffs per day for aircraft 5,200 lbs. or less @ \$75 per month.							
St. Louis	Air Illinois	3/31/71	Landing fee, \$6.00 per aircraft landing; maximum weight 12,800 lbs.							
Spokane	Cascade Airways	12/31/70	\$.20/M# GLW							
Washington -Dulles	Cavalier Airways	2/28/71	\$100 plus landing fees and ramp charges (air taxi and pilot training).							
	Hudock, Robert & Philip	7/31/72	\$200 plus landing fees and ramp charges (aircraft rental)							
	Executive Flyers	7/31/72	\$200 plus landing fees and ramp charges (a/c rental)							

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED FIRST HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fec & Serv Prov						
				1	2	3	4	5	6	
Hilan			Lit. 500/metric ton of MATH(\$1.80)							
			Lit. 1,200/metric ton of MATH(\$1.92)							
Washington -National	computer e/ie	12/31/72	Pay landing fees through FBO							

GENERAL AVIATION

C - 1 - c

C. TAKE-OFF AND LANDING AREA REVENUES
 1. Take-Off, Landing & Ramp Use Fees
 c. General Aviation

CONTRACTS EXECUTED FIRST HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Milen			Lit. 600/aircraft under 1 metric ton(\$.96) Lit. 1,200/aircraft over 1 metric ton(\$1.92)							

OTHER (MILITARY)

C - 1 - d

C. TAKE-OFF AND LANDING AREA REVENUES
 1. Take-Off, Landing & Ramp Use Fees
 d. Other (Military)

CONTRACTS EXECUTED FIRST HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Denver	Ster Aviation Corp.	5/1/71	Regulatory permit for conduct of flight training and aircraft rentals business. No monetary consideration but statistical reports are required.							
Indianapolis	U.S. Army (Air Vec)	6/30/71	\$4,380 per year							
Milwaukee	USAF Reserve	3/31/71	Landing fee: \$.19/M# MGLW							
St. Louis	Air National Guard	6/30/71	Unlimited use, \$1,500 monthly; supply various maintenance and crash equipment.							
Spokane	Boeing Company	12/31/70	\$.40 ton GLW							

SCHEDULED AIR CARRIERS

C - 2 - a

C. TAKE-OFF AND LANDING AREA REVENUES

2. Aircraft Parking

a. Scheduled Air Carriers

CONTRACTS EXECUTED FIRST HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Alaska -Anchorage	Alitalia		\$15/M ³ CMGW; Parking charges for each period of 3 hours or more within each 24-hour period.							
Milan	Scheduled		Lit. 200/metric ton/ calendar day(\$32)							
Paris -Orly	Air Paris	3/31/72	Aircraft parking: 3.45% on turnover (exclusive of taxes) up to \$15,818 pa 5.75% over \$15,818 pa Minimum: \$1,454 per year.							
St. Louis	OZ	7/31/71	45,300 sq. ft. aircraft parking \$350 month.							
San Francisco	UA	6/22/80	5.30 acres @ \$3,750 acre per annum							

C. TAKE-OFF & LANDING AREA REVENUES

2. Aircraft Parking

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED FIRST HALF - 1970

Member	Lassas	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Alaska -Anchorage	AC		\$.15/Hr CGW. Parking charges for each period of 3 hours or more within each 24-hour period.							
Milan			Lit. 200/metric ton/ calendar day(\$.32)							

C. TAKE-OFF & LANDING AREA REVENUES
 2. Aircraft Parking
 c. General Aviation

CONTRACTS EXECUTED FIRST HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fec & Serv Prov						
				1	2	3	4	5	6	
Paris -La Bourgat	Compagnie Europe Aero Service	12/31/70	Apron for light aircraft parking: \$1.45 per sq. m. p.s. plus consumer tax.							

OTHER

C - 2 - d

C. TAKE-OFF & LANDING AREA REVENUES2. Aircraft Parking

d. Other

CONTRACTS EXECUTED FIRST HALF - 1970

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Durbank	Aerocouncil	mo - mo	Aircraft Parking Stall 13,000 sq. ft. @ \$210/mo.							x
	Executiva Party Club	mo - mo	Aircraft Parking Stall & Storage shed 13,000 sq. ft. @ \$210/mo. plus \$30							
	U. S. Govt. (FAA)	mo - mo	Aircraft Parking Stall 13,000 sq. ft. @ \$210/mo.							
	Holiday Airlines	mo - mo	Aircraft Parking Stall & Small Storage shed 13,000 sq. ft. @ \$210/mo plus \$15							x
Oklahoma City	Aircraftmen Inc.	6/1/76	\$5,321.44 per year for apron. Beginning April 1, 1971, rental increases to \$10,642.88 per year. Lessee also to pay 50% of gross collected from tie down fees.							

SUMMARY OF
CONTRACTS EXECUTED DURING
1962 THROUGH 1969
PART C. TAKE-OFF & LANDING AREA REVENUES

Between AOCI Members
and
Tenants, Users, Suppliers & Concessionaires

Summaries of (1) the airport, (2) the lessee(s), (3) the expiration date of the contracts, (4) the financial arrangements for contracts completed from 1962 through 1969, and (5) facilities and services provided by the airport (1 - heat, 2 - light, 3 - air conditioning, 4 - janitor service, 5 - bare wall interior, 6 - finished interior) are furnished in the following categories.

REVENUE SOURCES

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<u>1. Take-Off, Landing & Ramp Use Fees</u>	
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<u>2. Aircraft Parking</u>	
a. Scheduled Air Carriers	152
b. Non-scheduled, Air Taxi & Charter	154
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CROSS-REFERENCE

C-2 Aircraft Parking
See also: E-5 Miami

C-2-d Aircraft Parking (Other)
See also: B-2-d Los Angeles (Intl)

SCHEDULED AIR CARRIERS

C - 1 - a

C. TAKE-OFF AND LANDING AREA REVENUES

1. Take-Off, Landing & Ramp Use Fees

a. Scheduled Air Carriers

CONTRACTS EXECUTED FROM 1962 THROUGH 1969

Member	Lassae	Expiration Date	Arrangements	Fec & Serv Prv					
				1	2	3	4	5	6
Akron -Cantnn	UA,LC,EA	12/31/77	Increase of 6.9c per 1000 lbs. to finance runway extension; + automatic increase of 7c/1000 lbs. and \$1/sq.ft. on all air-line terminal space occupied to be applied to the depreciation schedule; these changes to take effect 1/1/73. Maintenance and operating operations 1968 and 1973.						
Alaska -Anchorage	Air France, Alaska A/L BOAC Danub Aern Svc. Interinr A/W Japan A/L KLM Lufthense North Air NW,PA,SAS Reeva A/W Sabena Belgian		Air Terminals, Airport Regulations provide landing fees at \$.30 per thousand pounds of certified maximum gross weight.						
Albuquerque	FAL,CAL,TTA, TWA	11/85	Airlines landing fee - 8.5/1000 lbs. 1st 10 million lbs 10c/ 1000 lbs. 2nd 10 million lbs .09/ 1000 lbs. 3rd 10 million lbs. .08/ 1000 lbs. Over 30 million - .07/ 1000 lbs.						
Allentown- Beth-Eastnn	Schedule d A/Ls	12/31/70	Incr. landing fee from \$.11 to \$.23/M lbs MGLM						

C - 1 - a

SCHEDULED AIR CARRIERS

a. Scheduled Air Carriers

CONTRACTS EXECUTED FROM 1962 THROUGH 1969										
Member	Lessee	Expiration Date	Arrangements	Fac & Serv Dev						
				1	2	3	4	5	6	
Atlanta	Nacionel A/L	5/2/91	\$.16/M lbs, cert GLW; Ticket counter, baggage handling, and gate facilities are temporarily provided by another A/L, until additional space is available for lease by the City.							
Baltimore	Scheduled A/Ls	6/30/70	\$.18/M lbs							
Boston	All Airlines		\$.265/M @ GLW; For each terminating intercontinental passenger, the fee shall be \$1.65; for each intransit intercontinental passenger, the fee shall be \$.55.							
Cincinnati	AA, DL, EA, LC (AL), PI, TWA	12/16/70	\$.16 1st 15,000,000 lbs - per 1000 lbs of landing weight \$.15 2nd 15,000,000 lbs - per 1000 lbs of landing weight \$.14 all over 30,000,000 lbs - per 1000 lbs of landing weight							
Dayton	ALL Airlines	12/31/70	\$.15/M lbs MLW							
Denver	BN, CO, FL, OZ, TW, UA, WA, Veil	1/1/73	\$.17/M lbs - revenue flights \$.085/M lbs - non-rev flights (includes Touch & Go) Based on max. allowable gross landing wt of the aircraft							
	NCA, TT	1/1/78	Revenue landings at \$.17 per 1,000 lbs. maximum gross landing weight, non-revenue at \$.085 per 1,000 lbs. maximum gross landing weight and a							

SCHEDULED AIR CARRIERS

C - 1 - e

a. Scheduled Air Carriers

CONTRACTS EXECUTED FROM 1962 THROUGH 1969										
Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Denver (Cont.)	NCA, TT	1/1/78	minimum fee of \$2.50 whether for revenue or not. Charges are subject to re-establishment on 1/1/73							
Des Moines	BN, OZ, UA	9/30/70	\$.15/M lbs.							
Greenville -Spartan burg	EA, PI, SO	1972	\$.11/M lbs							
Huntington	EA, AL, PI	yearly	Daily gross landing wts of carrier subject to yearly renewal: \$.10/mo let 10,000,000 lbs. \$.07/mo next 5,000,000 lbs. \$.04/mo excess over 15,000,000							
Jackson -Thompson	DL, SO, TT	7/73	\$.135/M lbs - let 25,000,000 lbs. a/c sched for landing @ a/p/mo. \$.125/M lbs - over 25,000,000 lbs sched for landing @ a/p							
Kansas City	CAL, DAL, BN	7/31/74	6 1/2c/M lbs. CGLW							
Knoxville	AA, DL, UA, SO, PI	12/31/70	Landing Fees: \$.07/M lbs, first 10 million lbs - \$.06 all over 10 million lbs.							
Lincoln	Airlines	12/31/70	\$.16/M lbs							
Los Angeles -Internat'l	Mexicana de Aviacion	10/1/92	Landing fees of \$.16/M lbs gross certificated landing wt.; periodic increases as needed							
	Airlift Intl	8/14/73	\$.16/M lbs MGLW							

C - 1 - a

SCHEDULED AIR CARRIERS

s. Scheduled Air Carriers

CONTRACTS EXECUTED FROM 1962 THROUGH 1969

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Los Angeles -Internat'l (Cont.)	RW, BM, Luftbans	1/31/94 12/31/93	\$.16/M lbs. MGLW							
Louisville -Standiford	AA, DL, EA, OZ, PI, LC	10/31/71	Fees charged @ rate \$.17/M GLW, billed monthly							
Mason City	OZ	3/31/71	Z%/mo. gross on-line revenues @ MCW							
Melbourne	EA, NA	1/74	\$.16/M lbs. MGLW							
Memphis	PI, AL, Sun	7/28/73	Carriers beginning Memphis operations will pay landing fees at establish- ed rate of \$.128/M lbs.							
Moline	Scheduled Carriers	12/31/74	\$.08/M lbs.							
Nashville	AL, PI, DL	10/86	\$.1375/M lbs. GLW							
New Orleans	All Scheduled Airlines	12/31/79	\$.115/M lbs. for 1st 20,000,000 lbs/mo; \$.105 for 2nd; \$.095 for 3rd; \$.085 for 4th; \$.075 over 80,000,000 lbs.							
Newport News	Air Carriers	12/31/74	\$.135/M lbs.							
New York -Kennedy	Scheduled A/L	12/31/70	\$.26/M lbs MGTW							
-LaGuardia	"	12/31/70	\$1.0332/M lbs MGTW							
-Newark	All users	12/31/70	\$.46/M lbs MGLW							
Orlando	RD, DL, EA, NA	10/31/71	\$.10/M lbs. total monthly MGLW							
Pensacola	EA, NA	7/72	\$.16/M lbs 0-20 x 10 ⁶ \$.14/M lbs 20-30 x 10 ⁶ \$.06/M lbs 30+							

SCHEDULES AIR CARRIERS

C - 1 - e

s. Scheduled Air Carriers

CONTRACTS EXECUTED FROM 1962 THROUGH 1969

Member	Lassas	Expiration Date	Arrangements	Fac & Serv Prev					
				1	2	3	4	5	
Philadelphia	Scheduled Airlines	8/31/73	\$.24/M lbs. of MGLW of each aircraft times the number of times such aircraft is scheduled to land at Philadelphia Int. A/P each month (in accordance with each airline's timetable schedule in effect on the first day of the month involved).						
Phoenix	All Scheduled Airlines	6/70	Sky Harbor A/P landing fees are computed @ the rate of \$.16/M lbs MGLW. Each year airfield revenues are adjusted upwards or downwards to airfield costs.						
Pittsburgh		12/31/71	Approved maximum landing weight. \$.25/M lbs. 1970-71. Subject to adjustment end of 1968 and 1970, up or down if actual results differ substantially from forecasts. Ramp fees - \$1/revenue arrival. No change from previous agreement.						
Portland -Meine	NE	9/1/71	\$.135/M lbs. - 1st yr. \$.14/M lbs. - 2nd yr. \$.15/M lbs. - 3rd yr.						
Portland -Oragoo	All Airlines	6/30/70	1st 15,000,000 lbs. \$.1475/M lbs. next 15,000,000 lbs. \$.1375/M lbs. excess of 30,000,000 lbs. \$.1275/M lbs.						
Pueblo	FL,UA,BN,CO, Treas Central		\$.08/M lbs.						

C - 1 - e

SCHEDULES AIR CARRIERS

e. Scheduled Air Carriers

CONTRACTS EXECUTED FROM 1962 THROUGH 1969										
Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
St Louis	Airlines	8/1/75	Landing fees - \$.16/M lbs. MGLW Ramp fees - Pay \$88,426 annually on joint use basis							
San Diego	AA,BO,DL,NA, PC,PSA,UA,WA	1982	\$.135/M lbs. MW							
Savannah	DL,NA	9/30/81	\$.06/M lbs. - 1st 10,000,000 lbs. \$.05/M lbs. - over 10,000,000 lbs.							
Spokane	NW,UA, Air West Commute	12/70	\$.20/M lbs landing weight							
Stockton	UA,PA	1973	Landing Fees: \$.12/M lbs. first six million lbs. \$.11/M lbs. next six million lbs. \$.10/M lbs. over 12 million							
Tulsa	AA,BN,CO,OZ, FL,TW	3/31/71	\$.12/M lbs. of approved MGLW							

NON-SCHEDULED, AIR TAXI & CHARTER

C - 1 - b

C. TAKE-OFF AND LANDING AREA REVENUES

1. Take-Off, Landing & Ramp Use Fees

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED FROM 1962 THROUGH 1969

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Alaska -Anchorage	RR,AA,EN,CP, CO,FT,SB, Overseas National A/Ws, Red Dodge Aviation, Return Airways See Airmotive, Sholton & Carlson, Stender A/Ws, Trene Intl, Universal A/Ws World Airways, China A/Ls Verig A/Ls		Air terminals airport regulations provide landing fees at \$.30/M lbs. of certificated maximum gross weight over 6 lbs.							
Allentown- -Beth- -Easton	Commuter A/Ls	12/31/70	Incr. landing fees from \$.11 to \$.23/M lbs. MGLW							
Bakersfield	Non-Scheduled Airlines		\$.12/M lbs. CLW							
Buffalo	Buffalo Aeroneutical	11/70	Landing fees: 66 2/3% of all fees Operation fee: \$5.00/per plane per month							
Burbank	Golden West	no - no	\$.25/outbound revenue passenger							
Colorado Springs			Scheduled air carriers not serving Colo Springs are charged \$25/landing on charters, CAM flights, etc. Non-scheduled air carriers on charters, CAM flights, etc, are charged \$25/landing unless they purchase fuel amounting to 500 gallon or more.							

C - 1 - b

NON-SCHEDULED, AIR TAXI & CHARTER

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED FROM 1967 THROUGH 1969										
Member	Lessee	Expiration Date	Arrangements	Fec & Serv Prov						
				1	2	3	4	5	6	
Denver	Aspen Airways, Air Midwest, Metro Commuter, Trens-Centrel, Rocky Mountain Aviation	1/1/78	Revenue landings at \$.17/M lbs. GLW, non-revenue at \$.085/M lbs. MGLW and a minimum fee of \$2.50 whether for revenue or not. Charges are subject to re-establishment on 1/1/73							
Detroit	Trens-Michigan	no - no	\$.40/M lbs. MGLW							
Greenville -Sperten -burg	Non-Scheduled A/Ls		\$.20/M lbs.							
Jackson -Thompson	Sun A/Ls	7/73	\$3.00/landing							
Lafayette -Louisiana	Non-Scheduled		No landing fee required for non-revenue aircraft landings \$.15 per MGLW in excess of 10,000 lbs. but less than 30,000 lbs. with a minimum per landing of \$1.50							
Lincoln	Transient A/Ls	12/31/70	\$.23/M lbs.							
Los Angeles -Ontario		6/30/74	Alt. operations 7/1/69-6/30/71; Min. \$2.50 per landing or \$.16/M lbs CMGLW Non-revenue operations 7/1/69-6/30/70; Min. \$1.25 per landing or \$.08/M lbs. CMGLW When scheduled ops. commence, fees for sched. carriers to apply.							

NON-SCHEDULED, AIR TAXI & CHARTER

C - 1 - b

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED FROM 1962 THROUGH 1969

Member	Lessee	Expiration Date	Arrangements	Fec & Serv Prov						
				1	2	3	4	5	6	
Louisville -Stendiford	Chartejet, Inc.	10/15/74	Charter service. Air Board provides exclusive use of portion of ramp adjacent to terminal bldg. for parking of jet aircraft used in operations. Air Board to receive 5% of gross sales or \$10,000/yr guarantee, whichever is greater. Payable in monthly installments. Air Board provides small parcel of land adjoining the ramp for temporary office structure (house-trailer), lessee's property.							
New York -Kooedy -LaGuerdie -Newark	All users	Indef.	<u>Peak Hour Flight Fee</u> A \$25 min. flight fee for each a/c w/e seating configuration of fewer than 25 passengers which either lands or takes off during the periods of 8 AM and 10 AM Mon thru Fri. & from 3 PM to 8PM every day. Air taxi operators which regularly serve a/l connecting passengers & meet min. level of activity requirements at JFK & Newark are able to obtain PA permits under which they are not charged the peak hour rate whenever their a/c operate from runways not being used by sched. carriers. The min. \$25 peak hr fee does not apply to helicopters.							

C - 1 - b

NON-SCHEDULED, AIR TAXI & CHARTER

b. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED FROM 1962 THROUGH 1969				Fec & Serv Prov					
Member	Lessee	Expiration Date	Arrangements	1	2	3	4	5	6
Oklahoma City	Non-scheduled A/Ls		\$.20/M lbs.						
Pennsylvania	Alteir A/Ls	1972	\$100/mo. flat landing fee						
Phoenix	All air taxi operators	6/70	Sky Harbor A/P landing fees are computed @ the rate of \$.16/M lbs. max. gross landing wt. Each year airfield revenues are adjusted upwards or downwards to airfield cost						
Pueblo	Air Midwest Airlines		\$30/mo. landing fees						
St. Louis	Non-scheduled air carriers		\$.16/M lbs. gross allow landing weight Ramp fees - pay \$88,426 annually on joint use basis						
San Diego	Swift Air	11/71	\$.135/M lbs. or \$2.00 landing, whichever is greater						
Tulsa	Sun	3/31/71	\$.12/M lbs. of approved max. landing weight of aircraft						
Washington D.C. -Dulles	Aviation Svc. Company,	6/30/70	Fixed fee of \$120/ + landing and ramp fees						
	Hudock, Philip & Robert; Exec Flyers Assoc.	7/31/70	Fixed fee of \$100/ + landing and ramp fees						
	Cardinal A/Ls	9/30/70	Landing and ramp fees.						
-National	Washington A/Ls	9/22/70	Pay landing fees to FBO						
	Cheham A/Ls	12/31/72	Pay Landing fees through FBO						
	Shenandoeh A/Ls	12/31/72	" " " "						

GENERAL AVIATION

C - 1 - e

C. TAKE-OFF AND LANDING AREA REVENUES

1. Take-Off, Landing & Ramp Use Fees
c. General Aviation

CONTRACTS EXECUTED FROM 1962 THROUGH 1969

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Des Moines	S-M-B Stage Line	1/1/70	\$1.00/per aircraft landed							
Louisville -Standiford	Brown-Foreman Distillers Corp	7/30/78 w/2 5-yr. options	Based a/c to pay \$500/yr. min. landing fee in advance, adjusted annually to actual landings @ current rates							
Milan			600 lb tire for a/c weighing up to & incl. 1 metric ton 1,200 lb tire for a/c weighing over 1 metric ton							
Milwaukee	Fontana Aviation Inc.	no - no	License for landing of a/c engaged in transportation of U.S. Mail by air. \$2.00/per landing of a/c of 12,500 lbs. or less							
Minneapolis	Third Level Airlines		\$2.00/per landing							
	Transient A/C		\$1.00-\$7.00/per hour or \$2.00-\$14.00 each 4 hours - Ramp Fee							
St. Louis	Rammert-Werner, Interstate Airmotive, Young Aviation, Ven Enterprises	indef.	A/C register @ FBO upon landing Single engine - \$2.00/landing Lt twin engine -\$4/landing Med twin engine-\$6/landing Lt transport -12/landing Med heavy transport \$20/landing Heavy transport (under 100,000 lbs.) - \$25/landing Largest transport (over 100,000 lbs.) - \$.25/K lbs. A/C operator given credit on landing fee - to amt. of fuel fee he pays @ \$.025/gal fuel purchased							

OTHER (MILITARY)

C - 1 - d

C. TAKE-OFF AND LANDING AREA REVENUES1. Take-Off, Landing & Ramp Use Feesd. Other (Military)

CONTRACTS EXECUTED FROM 1962 THROUGH 1969

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov					
				1	2	3	4	5	6
Denver	Royal American Flyers, Inc.	8/1/70	Flight training & rentals: No monetary consideration Company must submit reports to city on extent of activities and carry minimums of insurance coverage.						
	Seven-Nine Echo Flying Corp.	9/1/70	Same as above.						
Milwaukee	Wisc. ANG	6/30/71	Field Use Charge: \$17,500 for period 7/1/69-6/30/71						
New Orleans	Air Lift Int'l	4/14/75	Graduated from \$.135 MLW to \$.095 MLW (Cargo Carrier)						
Pueblo	Military		No charge						
St. Louis	McDonnell Douglas	9/8/71	\$.16/M lbs. landed less 15%						
Savannah	Crumman	8/15/86	\$12,000 annual airfield usage chg. min. or \$.025/gal fuel, whichever is greater						

SCHEDULED AIR CARRIERS

C - 2 - e

C. TAKE-OFF AND LANDING AREA REVENUES

2. Aircraft Parking

a. Scheduled Air Carriers

CONTRACTS EXECUTED FROM 1962 THROUGH 1969

Member	Lasese	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Alaska -Anchorage -Fairbanks			<p>A/C weighing over 6,000 lbs. Day or fraction thereof - \$.15/M lbs. Week - \$.70/M lbs. Calendar month - \$2.50/M lbs.</p> <p>Commercial A/C under 6,000 lbs. Day or fraction - \$1.00/aircraft Week - \$5.00/aircraft Calendar month - \$20.00/aircraft Year - \$200.00/aircraft</p> <p>Non-commercial A/C under 6,000 lbs. Day or fraction - \$1.00/aircraft Week - \$5.00/aircraft Calendar month - \$15.00/aircraft Year - \$150.00/aircraft</p> <p>Exceptions: A/C utilizing a/p svcs. such as fueling or repair shall not be subj. to parking fees for 1st 3 hrs after landing</p>							
Memphis			<p>Fee for aircraft parking in hangar: \$50.00/per aircraft each 24-hour period or portion thereof.</p>							
Milao			<p>A/C parking - 200 lbs too/ calendar day.</p>							

e. Scheduled Air Carriers

CONTRACTS EXECUTED FROM 1962 THROUGH 1969										
Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Milan (Cont.)			Handling chg. - 2,100 It lira/ton/pasaanger intl flights; 1,500 It lira/ton paasanger dom flights; 220,000 It lira for DC-8, 707 and similar A/C; 1,900 It lira/ton, cargo flights							
New York -LaGuardia	Airlines	12/31/70	\$.20 pasfa, paved land							
	Airlines	12/31/70	\$.15 pasfa, unpaved land							
Omaha	UA	7/28/80	239,900 sq. ft. of land incl. 83,600 sq. ft. of paved apron - ground rent \$.05/ sq. ft. x currant yr's. Consumers' Price Index Apron rent - \$.08/sq. ft.							
Paris -Orly	Airline	12/31/70	\$2.73 pasfa							
Portland -Oregon	3 new air carriere	6/30/70	Parking charges - <u>Daily Mo</u> 20,000-30,000; \$3 \$30 30,000-50,000; 4 40 50,000-75,000; 5 50 75,001-100,000; 6 60 100,001-125,000; 7 70 125,001-150,000 8 80 150,001-175,000 9 90 175,001-200,000; 10 100							
San Diego	United	7/31/82	\$580/mo. - \$6,960/yr. 55,275 sq. ft. and any fee requ. for valid land							

NON-SCHEDULED, AIR TAXI & CHARTER

C - 2 - b

C. TAKE-OFF & LANDING AREA REVENUES2. Aircraft Parkingb. Non-Scheduled, Air Taxi & Charter

CONTRACTS EXECUTED FROM 1962 THROUGH 1969

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Alaska -Anchorage	Airlift International AA, BN, American Flyer Canadians Pacific A/Ls Capitol Int'l China A/L, Continental A/L Flying Tiger Linaa, Overaaa National A/Wa Rad Dodge Aviation Saturn A/Wa, Saa Airmotive, Sasboard World A/Ls, Varig A/Ls		Air Terminals, Airport Regulations provide parking faaa at \$.15 per thousand pounds of certified maximum gross weight. Parking faaa charged for each period of 3 hours or more within each 24 hour period.							
Burbank	Holiday A/La	no - no	\$.016 paf/mo, exclusive							
Huntington			Overnight parking chgs: \$1.00 - 1-5 places \$1.50 - 6-10 places \$3.00 - 11-30 places \$5.00 - 31-36 places \$7.00 - 37-44 places \$9.00 - over 44 places							

C. TAKE-OFF & LANDING AREA REVENUES

2. Aircraft Parking

d. Other

CONTRACTS EXECUTED FROM 1962 THROUGH 1969

Member	Lessee	Expiration Date	Arrangements	Fac & Serv Prov						
				1	2	3	4	5	6	
Alaska -Fairbanks	US Bureau of Land Management	1971	Small a/c parking apron; a/c storage @ \$5.06 psfpa							

Mr. DINGELL. I do not have any objection to you people jiggling your landing charges. Where I run into problems is where your tax people go and come. That is a burden on interstate commerce.

We are not trying to hurt you in terms of doing business down there. If you look at the record of this subcommittee and the committee, you will find throughout history we have consistently sought to assist you. We have had a very generous program of airport development that has been financed. The programs had their genesis in this committee.

As a matter of fact, I introduced the very first piece of legislation on this subject, even before President Johnson finally came around to the idea that it should be done.

Where do these revenues go? Do they go into general revenues at all?

Mr. MONSANTO. No, sir; they go strictly into the Port Authority and they may go to no other use than airport use.

Mr. DINGELL. There were some communities that were diverting this into general revenue activities?

Mr. MONSANTO. I believe that is on the mainland, and I believe Philadelphia may be charged with that.

We are aware that the Virgin Islands and the territories have been very generously treated. As evidence of that, we have been enjoying the 25/75 percent formula all along, and I know that there is quite a concern that the airport use fee might be looked on as double taxation, because the ADAP is funded with taxes from travel.

In our case ADAP money has been made available to the Virgin Islands but we have not been able to use it because we have not, in the last 3 years, been able to come up with our matching share.

As I said, the entire Port Authority was operating on a \$433,000 deficit per day.

A year ago the gross income of the Port Authority—besides the airports we also provide piloting service in the harbors, through the Marine Division. The total income of the Port Authority—or, let me put it the other way around—a little over a year ago our payroll was 108 percent of income.

The Port Authority was formed in the beginning of 1969. It was empowered to charge rates, fees and to generate the income necessary—“which shall be at least sufficient to pay for operation.” The rate structure, landing fees in the Aviation Division, and in the Marine Division, piloting fees, or draft fees—is negotiated every 3 years with the users.

We hold public hearings and set the rate structure for 3 years, then we have to live with them for that period of time.

The cost of operating the Authority far exceeded the income, until our July 1, 1972 charges became effective. For the first time we now are in a financial position to be able to come up with our share to match ADAP assistance.

Particularly in St. Thomas we have quite a problem meeting certification next month. I am sure that any of the members who have landed at Truman Airport feel that it is almost like a carrier landing for a 727 to come in there. We are quite concerned with the required skill that it takes to get these aircraft on the ground. We would like to see the surrounding areas cleared and safety increased.

Mr. DINGELL. Thank you, Mr. Chairman.

Mr. JARMAN. Mr. Shoup.

Mr. SHOUP. Mr. Monsanto, do you have knowledge of why, when the Legislative Act 2375 was set up, there was precluded any participation in local taxes?

Mr. MONSANTO. It was the intent that the operation of the harbors and the airports be such that they be operated as a business and that they be self-sustaining so the authority was empowered with the right to set rates, fees, and charges, "which shall be sufficient," to carry on these operations.

Mr. SHOUP. You speak of your establishing in July a passenger use fee of \$1 and expecting \$800,000 or revenue. This is for a full fiscal year?

Mr. MONSANTO. A full fiscal year.

Mr. SHOUP. If my math is correct, here you are losing at the present time close to \$1.6 million a year on your operation. And you are going to increase \$800,000 and there is still quite a deficit. You are saying you are going to have sufficient money to meet these requirements. Where do you plan on getting the additional \$800,000?

Mr. MONSANTO. The deficit as for the entire port authority operation, not just the Aviation Division.

On April 1 last year in the Marine Division we instituted a \$2 per cruise-ship-passenger wharfage-use fee. This new income for the Marine Division, brought the marine operation into the black.

Mr. SHOUP. Then actually the figures that you give us here are not confined to aviation alone, but include this \$433,000 loss per day from marine operation as well as air operation?

Mr. MONSANTO. Yes, sir. We reduced that deficit by a reorganization of the entire operation of the port authority last year. We reduced the payroll considerably. The reduction in operating cost and the increased revenues did this.

But, in the first 40 months of the operation of the port authority a deficit of \$5.227 million was incurred.

Mr. SHOUP. May I ask you if we could confine ourselves, how much was your loss under aviation?

Mr. MONSANTO. That was about half of it.

Mr. SHOUP. So it is your feeling that \$800,000 would cover the aviation loss?

Mr. MONSANTO. The \$800,000 puts us in the black in aviation.

I would add to that and explain a separate charge from the \$1 airport use fee, collected since around 1968. The Virgin Islands, as you know, have a maximum import duty, customs duty, of 6 percent, on goods entering the Virgin Islands. Anything from the Virgin Islands into the United States has to go through Customs.

Flights entering from Canada, the Bermudas, or the Bahamas, were being precleared and arriving as domestic flights through Customs into the United States. Returning flights from the Virgin Islands were coming back as foreign flights. In 1968 the Government of the Virgin Islands concluded that it would enhance tourist travel if preclearance could be arranged in the Virgin Islands, so that flights arriving from the Virgin Islands would arrive as domestic flights. It would make the returning tourists happier. So they arranged for this.

To do this, it required having the customs service, the U.S. customs service in the Virgin Islands, bring inspectors down from the continent that knew the entire customs duty structure, not just the section

that applied to the Virgin Islands. They had to pay the salaries of these inspectors and provide them with housing.

Mr. SHOUP. Who is "they" that had to pay?

Mr. MONSANTO. The Government of the Virgin Islands.

Mr. SHOUP. The port authority.

Mr. MONSANTO. At that time it was the Airport and Industrial Resources Agency that was operating the airports until February of 1969 when that, along with the Marine Division of the Virgin Islands Department of Commerce, were put together, forming the Virgin Islands Port Authority.

At that time the V.I. Airport and Industrial Resources Agency provided the buildings in which preclearance inspection took place. To cover the cost of operating the preclearance facility, a \$1 per passenger charge was put in at that time and that, along with the \$1 airport use fee that we have now, will generate the \$800,000.

It is not just the \$1 alone; returning passengers coming through the customs service, pay a second dollar.

Mr. SHOUP. Occasionally you will find that you are going to discover that you will have a case of your "druthers." If the bill is passed as is, and the section in which you request that the Virgin Islands be deleted, your passenger fees would be precluded.

If your passenger fees were precluded then would you suggest that legislation be entered which would allow the Virgin Islands themselves to participate in the maintenance of the airport, such as we do stateside?

Mr. MONSANTO. The Government of the Virgin Islands financially is unable and has been unable for the last few years to help the port authority.

Mr. SHOUP. Mr. Monsanto, you are no different from any of the States. In the local communities we hear the same story. I am merely saying that possibly you would have to be treated the same as a State and a local community, whereby localities would be required to assist in meeting matching funds.

Mr. MONSANTO. That would be the only way that we would be able to—by legislated assistance.

Mr. SHOUP. For the record, you speak of 25/75.

I believe I am correct, Mr. Chairman, that normally we refer to this the other way around. I would like to have the record show that.

I think that at the present time you are 25 percent local and 75 percent Federal. Am I correct that we normally refer to it as 75/25? The Federal share of the participation is first. I was confused when I first heard your 25/75. A matter of semantics is all it is. I think it should be cleared up for the record.

I have no further questions, Mr. Chairman.

Mr. JARMAN. Mr. Monsanto, we appreciate your being with us.

Mr. MONSANTO. Thank you, sir.

Mr. JARMAN. Our next witness this morning is Mr. Theodore Koetz, Deputy Tax Commissioner for the State of Ohio.

Would you identify your associates.

**STATEMENT OF THEODORE KOETZ, DEPUTY TAX COMMISSIONER,
STATE OF OHIO; ACCOMPANIED BY DONALD SWEPSON, COUNSEL**

Mr. KOETZ. Yes. My name is Theodore Koetz. I am Deputy Tax Commissioner of the State of Ohio. And this is Mr. Donald Swepson of our legal staff.

Mr. JARMAN. Mr. Koetz, you may proceed in the manner you desire with your testimony.

Mr. KOETZ. Mr. Chairman and honorable members of the Interstate and Foreign Commerce Committee:

As Deputy Tax Commissioner of the State of Ohio, I appreciate this opportunity to appear before you in your deliberations on three pieces of legislation concerning airports, airways, and airlines, S. 38, H.R. 2695, and H.R. 4082.

Although these bills deal with several subjects, the interest and concern that we in Ohio have in these bills are the portions titled "State Taxation of Air Commerce."

Mr. JARMAN. Mr. Koetz, if you will, you may submit this statement for the record and then just emphasize the highlights that you think this committee should consider. We would appreciate that.

Mr. KOETZ. Right.

Mr. Chairman, basically we have an airlines excise tax in Ohio which is unique, and we are probably the only State in the 50 States that has such a tax. It is based on 4 percent of the gross receipts of an airline—passengers and also freight—that is apportionable to Ohio.

We feel that as to the head taxes basically we have no objection to the head taxes or the prohibition against the head taxes in the various cities, but we feel that the airline excise tax, which we passed in 1969, is a fair and equitable tax based upon the overall burden that the airlines are bearing in the State of Ohio, compared to other utilities.

For example, the railroads and other transportation, such as trucking companies.

Our contention is that some of the language in the bill, in the Senate bill right now would prohibit Ohio's airline excise tax. And we would like to suggest legislation or an amendment that would basically let us maintain our airlines excise tax.

Though it is not a big revenue-producer for the State of Ohio—it brings in approximately \$2 million in Ohio—we feel that the intention or possibly the intention of the bill, was to eliminate the head taxes—the primary thrust of the bill. And we just want to bring to the committee's attention the fact that this would eliminate an airline excise tax in Ohio.

I would entertain any questions on the presentation.

[Mr. Koetz' prepared statement follows:]

STATEMENT OF THEODORE KOETZ, DEPUTY TAX COMMISSIONER OF OHIO

Mr. Chairman, honorable members of the Interstate and Foreign Commerce Committee, as Deputy Tax Commissioner of the State of Ohio, I appreciate this opportunity to appear before you in your deliberations on three pieces of legislation concerning airports, airways, and airlines, S.B. 38, H.R. 2695, and H.R. 4082.

Although these bills deal with several subjects, the interest and concern that we in Ohio have in these bills are the portions titled "State Taxation of Air Commerce". For convenience in referring to the text of the bills, I will refer to

S. 38, since the pertinent language is similar in all three bills, and S. 38 has passed the Senate. The state taxation portion of S. 38 begins at line 11 on page 6, and continues through line 9 of page 8.

The specific language which concerns us is contained in lines 12 through 20 on page 6:

"Section 1113. (a) No State * * * shall levy or collect a tax, fee, head charge, or other charge, directly or indirectly, on persons traveling in air commerce or on the carriage of persons traveling in air commerce or on the sale of air transportation or on the gross receipts derived therefrom."

This language first came to our attention with the introduction of S. 3755 in the Second Session of the 92d Congress. Prior to and at the time of its introduction the newspapers and magazines, general and specialized, reported that legislation would be or had been introduced to prohibit the rising trend of the imposition of local "head taxes" at airports across the nation. The thrust of the legislation, as reflected in the reports and publicity, was to the type of per capita charges on air travelers, or "head taxes", as had been enacted and imposed in the State of New Hampshire; Evansville, Indiana; Philadelphia; and ten or so other cities. That the object of the legislation was the so-called "head taxes" is reflected in articles in National Journal (July 29, 1972, p. 1222), Congressional Quarterly (December 23, 1972, p. 3193), and in comments by Chairman Staggers in response to inquiries by Mr. Matsunaga contained in the House Congressional Record (August 18, 1972, p. H 8003).

However, upon obtaining the bill and reading the state tax prohibition provisions in S. 3755 (which is identical in S. 38, in the pertinent portions) we found that the prohibition of state taxes was much broader and all-inclusive than the various articles and reports indicated. The prohibition would encompass "a tax * * * directly or indirectly, * * * on the carriage of persons traveling in air commerce or on the sale of air transportation or on the gross receipts derived therefrom".

Our particular concern in Ohio is that this language, although not the stated or understood intent, would apparently render null and void the Ohio airlines excise tax.

In 1969, the Ohio General Assembly enacted the airlines excise tax, which is contained in Chapter 5745, Ohio Revised Code, effective August 18, 1969.

The tax has been the subject of litigation as to its propriety and constitutionality. The legislation has been upheld by the Ohio Board of Tax Appeals (*United Air Lines Inc. v. Porterfield, Tax Commissioner*, B.T.A. #70-05-1397, February 5, 1971), the Ohio Supreme Court (*United Air Lines v. Porterfield* [1971] 28 Ohio St. 2d 97), and the United States Supreme Court which dismissed the appeal for want of a substantial federal question, June 19, 1972 (*United Air Lines Inc. v. Porterfield*, 92 S. Ct. 2461).

The basis of the tax is relatively simple. The Statute (Sec. 5745.02, Ohio Revised Code) provides:

"* * * An excise tax is hereby imposed upon the privilege of engaging in the business of transporting persons or property by air within this state. The tax is as follows:

(A) Four per cent of the receipts derived from transportation which begins and ends within the state:

(B) Where the transportation does not begin and end within this state, four per cent of the receipts derived therefrom attributable to business carried on within this state based on the proportion of the mileage within the state to the entire mileage over which the persons or property are transported, into or out of the state.

All moneys received in the state treasury * * * shall be deposited to the credit of the general revenue fund."

The fact that this tax is not excessive or burdensome to the airlines is seen from the way that airlines are treated within the overall Ohio tax structure, and from the total liabilities of the airlines for this tax.

The Ohio tax structure may be unique in reference to airlines. Most businesses in Ohio, be they domestic or foreign, intrastate or multistate, are amenable to a franchise tax and a personal property tax, the latter either in the form of the general personal property tax or the public utility ad valorem tax. However, the airlines are fully subject only to the corporate franchise tax. They are exempted from the public utility ad valorem tax because, unlike the railroads, they are not classified as public utilities. Although they do pay the personal property tax, it is far from a burdensome levy because their major investment in personal proper-

aircraft, is not subject to the Ohio personal property tax. In addition, commercial planes are exempt from Ohio sales tax, aviation gasoline is exempt from motor fuel tax, and jet fuel is exempt from both motor fuel tax and sales tax. Also, of course, public airports are exempt from real property taxes.

Thus, while railroads pay over \$30 million in total taxes to the state of Ohio, and the trucking industry pays well over \$100 million, all aviation has an Ohio tax burden slightly over \$3 million, including the airlines excise tax.

A completely clear picture of the actual tax liability and revenue from the Ohio airlines excise tax has not yet emerged. Litigation on the measure just ended in June, 1972, and there are some individual questions and problems being resolved; payment of the tax need not be made while an assessment is under review or litigation. However, total revenue from the tax is estimated to be about \$2 million per annum.

Although we cannot divulge the specifics on individual taxpayers because of confidentiality statutes in our state law, we have about 135 taxpayers filing the airlines excise tax reports. A dozen of those are major airlines and the others are fixed-base operators or organizations performing aerial services subject to the tax. The average liability of the major air carriers, which represent well over 90% of total collections under the excise tax, is estimated to be about \$35,000 quarterly, or \$140,000 annually.

I would, therefore, recommend to and request of this Committee that any legislation prohibiting the states' right to tax air carriers be so drafted so as not to include in the prohibition the Ohio airlines excise tax.

I make this request for the State of Ohio on the basis that our tax is fair, reasonable, and necessary, and that it is not a tax of the type that has given rise and impetus to this legislation, the so-called "head taxes". The State of Ohio does not have airport "head taxes", nor, to my knowledge, does any local subdivision of the state. I believe that the Ohio airlines excise tax is similar to the types of taxes permitted by S. 38, lines 7 through 22 on page 7, but would be prohibited under the language of the bill as it now exists.

We have specific language suggestions, and would be happy to discuss this with the Committee or its technical advisors if you so desire.

Mr. JARMAN. What other States, if any, have this kind of excise tax?

Mr. KOETZ. None. To my knowledge, there are none, Mr. Chairman.

Mr. JARMAN. What amount of money is raised in Ohio from this?

Mr. KOETZ. Approximately \$2 million a year.

Mr. JARMAN. Of course, this committee, and you, realizes that there is real concern in the airline industry over this type of tax, and the danger as the airlines view it is that this approach will expand into other parts of the country.

So I think it is of particular interest to the subcommittee to have some direct testimony from you on this.

The Chair has no further questions at this time.

Mr. Dingell?

Mr. DINGELL. Thank you, Mr. Chairman.

You have indicated that you have some suggested amendatory language for the committee. Would you see that it is submitted to the counsel so that we can have it for the record?

[The following proposed language was received for the record:]

STATE TAXATION OF AIR COMMERCE (PROPOSED LANGUAGE)

Sec. 1113. (a) No State (or political subdivision thereof, including the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the District of Columbia, the territories or possessions of the United States or political agencies of two or more States) shall levy or collect a tax, fee, head charge, or other charge on persons traveling in air commerce or on the act of transporting persons in air commerce: Provided, however, That any State for political subdivision thereof, including the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the District of Columbia, the territories or possessions of the United States or political agencies of two or more States) which levied and collected a tax, fee, head

charge, or other charge, directly or indirectly, on persons traveling in air commerce or on the carriage of persons traveling in air commerce or on the sale of air transportation or on the gross receipts derived therefrom prior to May 21, 1970, shall be exempt from the provisions of this subsection until July 1, 1978.

(b) Nothing herein shall prohibit a State (or political subdivision thereof, including the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the District of Columbia, the territories or possessions of the United States or political agencies of two or more States) from the levy or collection of taxes other than those enumerated in subsection (a) of this section, including property taxes, net incomes taxes, franchise taxes, sales or use taxes on the sale of goods or services, privilege or excise taxes, and gross receipts taxes fairly apportioned to a State; and nothing herein shall prohibit a State (or political subdivision thereof, including the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the District of Columbia, the territories or possessions of the United States or political agencies of two or more States) owning or operating an airport from levying or collecting reasonable rental charges, landing fees, and other service charges from aircraft operators for the use of airport facilities.

(c) In the case of any airport operating authority which—

- (1) has an outstanding obligation to repay a loan or loans of amounts borrowed and expended for airport improvements;
- (2) is collecting, without air carrier assistance, a head tax on passengers in air transportation for the use of its facilities; and
- (3) has no authority to collect any other type of tax to repay such loan or loans,

the provisions of subsection (a) shall not apply to such authority until July 1, 1978.

Mr. DINGELL. You have no head taxes in the State of Ohio?

Mr. KOETZ. None.

Mr. DINGELL. Your appearance here this morning is limited to the presentation of your excise tax?

Mr. KOETZ. Yes, sir.

Mr. DINGELL. This is a rather novel form of excise tax. In my memory, excise taxes have always been related to sales or transactions. This excise goes to any freight or passenger or moving in commerce across Ohio, whether the aircraft actually touches the State's surface or not; am I correct?

Mr. KOETZ. No, sir. This only applies where there is some contact or nexus with Ohio. In other words, they make a landing and passengers get on or get off. It is not on flights going over the State of Ohio. We do not tax any overflights.

Mr. DINGELL. I travel between here and Michigan. And, assuming I were to go there and the craft were to land at Cleveland or Youngstown airports between here and Detroit, would I be subject to that tax?

Mr. KOETZ. No—if you did not get off the plane there. Otherwise: Yes, you would be. Not you directly, the airline.

Mr. DINGELL. Suppose I got off to stretch my legs, to get a cup of coffee or go to the restroom?

Mr. KOETZ. No, sir.

Mr. DINGELL. I would not be subject to the tax?

Mr. KOETZ. No.

Mr. DINGELL. Only if I were to, say, get off the aircraft and end my trip in Ohio?

Mr. KOETZ. That is correct. If you were originating or if that were your destination.

Mr. DINGELL. Suppose this were part of the continuing trip. I would get off because of bad weather and go on to Detroit. Would I be subject to the tax?

Mr. KOETZ. No, sir.

Mr. DINGELL. Suppose I were to, let's say, have a ride with a friend and ride by car to Cleveland and we would get on at Cleveland and take an aircraft to Washington. Would I be subject?

Mr. KOETZ. You would be.

Mr. DINGELL. This is not a gross receipts tax. You are not talking about a gross receipts tax?

Mr. KOETZ. No. Our receipts are primarily limited to just that that we can apportion to Ohio.

Mr. DINGELL. You don't have a fuel tax on aircraft?

Mr. KOETZ. No, sir.

Mr. DINGELL. Why not? I am curious to know. That would not be banned by the legislation.

Mr. KOETZ. No; that is correct, because the legislature just has not seen fit to pass it.

Mr. DINGELL. A matter of policy.

Mr. KOETZ. Right.

Mr. DINGELL. Was there any underlying reason for the policy? Oftentimes when a legislature acts they have some underlying reason for what they did.

Mr. KOETZ. I don't know of any underlying policy for that.

Mr. DINGELL. How long has this been in process?

Mr. KOETZ. Since 1969.

Mr. SHOUP. If I were to get on a plane in Cleveland wherever my destination would be, the airline would be charged a certain fee. Is this correct?

It would be identical no matter where my destination is, because I would be over Ohio only a certain amount of time.

Mr. KOETZ. That is correct. In other words, there would be a measurement taken by the number of miles that you have flown on your trip in Ohio as compared to your total miles.

In other words, if you were flying to Hawaii it would only be about 200 miles. That ratio would be applied to, say, 3,000 miles that we could not touch, say, or could not apportion to Ohio.

Mr. SHOUP. The airline would pay that?

Mr. KOETZ. That is correct.

Mr. SHOUP. I would ask you, Is there much difference between that and a head tax?

Mr. KOETZ. Yes. We feel that there is a difference between that and a head tax. In other words, we are not necessarily charging the passengers directly for the tax, you know, boarding the plane or deplanting or anything like that. This tax is charged directly to the airlines.

Mr. SHOUP. I think the problem we have here on the committee on the head tax is not the fact that revenues being raised for a very needed use, but the fact that we made these decisions some years ago that we would take a national view of it, not individual.

And it would seem to me that this type of tax does not differ from a head tax; that each State and each community, if we can justify Ohio's, would be able to add their own excise tax, which I can't see differs from a head tax.

Mr. KOETZ. That is possibly true. What we would like to suggest is that possibly, since Ohio has already enacted this act, amendments be

made that would allow the Ohio airline excise tax, but no expansion of any other State in the same area.

Mr. DINGELL. Would the gentleman yield?

Mr. SHOUP. I will yield on that; yes.

Mr. DINGELL. That is for Ohio, but don't let anybody else do it?

Mr. KOETZ. We are making the suggestion.

Mr. DINGELL. Are you making it seriously?

Mr. KOETZ. Yes.

Mr. DINGELL. It is a rather curious suggestion.

Mr. SHOUP. Somewhat selfish, too.

Mr. KOETZ. But that is one of the fears of the airlines, of this being expanded to the other 49 States. No doubt about that.

Mr. SHOUP. If this, you feel, is a fair tax and is supplying Ohio with needed revenue, then would you suggest that the committee take a look at this as a possible policy or legislation which would involve all 50 States?

Mr. KOETZ. Yes. We have had a court test on this. It went to the U.S. Supreme Court, on the fairness and the equitable features in the tax and it has been upheld. It has been a long, continuing battle in Ohio to get this thing started and we have spent much time and effort in fighting defenses in court and things like that for the last 2 years. And we finally have resolved those problems in the courts. And now we are collecting the tax.

In other words, we are going in the direction, I would say.

Mr. SHOUP. What is the control or use to which these taxes can be put? Do these go into the general fund?

Mr. KOETZ. They go into the general revenue fund, but they are specifically earmarked for the widows and orphans and firemen and police pension funds.

Mr. SHOUP. There is a similarity, then, to the Philadelphia case is it not, where the mayor said they were using it for retirement funds, for payment of wages?

Mr. KOETZ. I am not sure of that.

Mr. SHOUP. Theirs is a head tax.

That leads me to say that it appears as though this tax is approaching more and more a similarity to a head tax.

I think our problem in these bills is to find a way to assist local communities in finding an equitable means of financing their share of the operating costs. You tax the airlines to provide for retirement or widows and orphans of firemen and policemen; is that correct?

Mr. KOETZ. That is correct.

Mr. DIXON. Wasn't the court resolution by a 4 to 3 decision?

Mr. KOETZ. That is correct, 4 to 3.

Mr. DIXON. Will you call it a close question?

Mr. KOETZ. Yes.

Mr. SHOUP. Would you feel that the most recent court decision which stated specifically what head taxes could be used for, will have any effect on the decision that you have for Ohio?

Mr. KOETZ. Not if we can make a distinction between our airlines' excise tax and the head tax.

Mr. SHOUP. One final question, Mr. Chairman.

I was interested in your answer to Mr. Dingell's question, whether this was a gross receipts tax. I fail to understand why this is not a gross receipts tax.

Mr. KOETZ. Well, we start off with the total gross receipts of the airline and then break them down only to the in and out of Ohio's portion.

Mr. SHOUP. But it is based on the gross receipts?

Mr. KOETZ. It is based on the gross receipts attributable to Ohio, origination-destination.

Mr. DINGELL. If the gentleman will yield: then it is a gross receipts tax. It either is an excise tax or it is a gross receipts tax. And I do not think calling it an excise tax is going to make it; so, to be perfectly frank with you. This is either an excise tax or a gross receipts tax.

So really, you have a gross receipts tax, and the only difference between this and a regular gross receipts tax, for example, on an airline doing business, would be that you would simply say: "OK fellows, we are only going to charge you on that portion of the business which is done inside the State of Ohio."

But the Federal Constitution would prohibit you from levying a tax on business that is done outside the State of Ohio anyway.

Mr. KOETZ. That is correct. We do have a gross receipts tax on railroads in Ohio, doing business in Ohio, too, and have had for several years.

Mr. DINGELL. I thank my friend.

Mr. SHOUP. I have no further questions, Mr. Chairman.

Mr. JARMAN. Do I understand from your testimony that none of the revenue from this tax goes for aviation purposes?

Mr. KOETZ. That is correct.

Mr. JARMAN. Mr. Metcalfe.

Mr. METCALFE. Thank you, Mr. Chairman.

I just need some clarification. When Congressman Dingell was asking the question and giving the examples of stopping over, or whether or not he terminated his trip in Ohio, you gave us a very definitive answer.

If he was terminated, of course, the tax would apply; but if he got off to stretch his legs it would not apply.

Then when Congressman Shoup asked the question: "A plane was flying over Ohio," as I understood it, "and was going to Hawaii;" did I hear you correctly that you would charge a portion of the amount of the tax?

Mr. KOETZ. No; if a plane were just flying over Ohio we would have no nexus. There has to be some connection with Ohio. The passenger has to originate in Ohio, or his destination has to be Ohio.

But a plane, say, flying from New York over Ohio, going to Hawaii—there is absolutely no tax consequence there.

Mr. METCALFE. Since the approximately \$2 million that you collect every year is going for the benefit of widows and orphans of firemen and police, what source of revenue do you have to improve the facilities?

Or, assuming that you wanted to build a new runway or to pay for the new program of preventing air piracy, in order to establish

security? What funds do you have for that, and where do you get those?

Mr. KOETZ. Basically, those funds would be user fees that would be charged by the local airports, you know, for expansion. It would be between the airlines and the local airports. Revenue would be raised in that manner.

Mr. METCALFE. So therefore there would be really two taxes inflicted? Is that right? The tax for that purpose of improving facilities of the airport, as well as for hiring personnel for security purposes to prevent air hijacking.

Mr. KOETZ. I am not sure how the local airports are paying for the security, but I assume that it is coming out of the funds, whatever they are charging the various airlines in fees, landing fees, user fees.

Mr. METCALFE. So, what is the difference between what they are charging the airlines for user fees, landing and the \$2 million that is going into the orphans and widows fund, and the amount of money for the other that I mentioned?

Mr. KOETZ. Well, the basic difference, as I see it, would be the specific use of that particular airport in landing and taking off; and there is a fee charged for each incident.

Mr. METCALFE. Then I must include in that that a passenger is subject to two taxes: The excise tax as well as the other tax, in order to meet his expenses?

Mr. KOETZ. Indirectly; yes.

Mr. METCALFE. I have no further questions, Mr. Chairman.

Mr. SHOUP. To summarize your testimony, then, you are not speaking on behalf of air travel or aviation. Your testimony is basically on what? Compassion for the widow and orphan in Ohio?

Mr. KOETZ. Yes.

Mr. METCALFE. Are there any other sources of funds for the widows and orphans of policemen and firemen in the State of Ohio?

Mr. KOETZ. There are, out of each paycheck, out of the firemen and policemen in Ohio—the firemen or policemen contribute so much to the retirement pension fund and then the State makes a matching contribution.

In other words, most of the revenue is derived from that source.

Mr. METCALFE. When you say the State makes an additional contribution, is that the money that we are talking about, as to excise tax, or would that be a separate fund.

Mr. KOETZ. That would be a separate fund.

Mr. JARMAN. If there are no further questions, we appreciate your being with us, gentlemen, to help complete the hearing record.

Mr. KOETZ. Thank you, Mr. Chairman.

Mr. JARMAN. The next witness this morning is Mr. John A. Nam-mack, executive vice president of the National Association of State Aviation Officials, with offices here in Washington.

**STATEMENT OF JOHN A. NAMMACK, EXECUTIVE VICE PRESIDENT,
NATIONAL ASSOCIATION OF STATE AVIATION OFFICIALS; AC-
COMPANIED BY LOWELL CLARK, CHAIRMAN OF THE OKLAHOMA
AERONAUTICS COMMISSION**

Mr. NAMMACK. Thank you, Mr. Chairman and members of the committee.

Mr. JARMAN. Would you identify your associate, Mr. Nammack?

Mr. NAMMACK. Gentlemen, I am John A. Nammack, executive vice president of the National Association of State Aviation Officials. I am accompanied by Lowell Clark, chairman of the Oklahoma Aeronautics Commission.

On behalf of our 48 member States, I would like to express our uniform appreciation and confidence in this committee for your sustaining interest in aviation and for your responsiveness to the changing needs of this vital national resource.

We think that this responsiveness is reflected again in the bills you have already under consideration. Each one of them is a good bill. They all address known ADAP deficiencies. We could probably make a strong case for any one of them. But we heard some testimony last week which confirms some dark suspicions.

As one member of your committee put it: Is it back to the trenches? And it may well be. It would appear that the only way to go this year is the route of pragmatism. And pragmatism, as far as we are concerned, is H.R. 2695, the bill introduced by the chairman.

The States take only one issue in a very low tone, with that bill. We make a gesture in favor of opposing prohibition of the head tax, although frankly we are not going to make an issue of it and have no intention of making an issue of it.

Later on in this testimony we demonstrate that no State has attempted to impose the head tax since the Supreme Court handed down its decision.

One State, as Congressman Dingell pointed out last week, held a hearing, surveyed the opinion of its airport operators, concerning their opinion as to whether or not the head tax was of interest to them. I won't say it got shot down in Detroit, but the conclusion was that Michigan would not go for a head tax. No other State has the slightest interest at this time in a head tax. I want to make that very clear.

Specifically, we support all of the other amendments in the chairman's bill. They are good amendments and everyone knows they are needed.

I am going to skip over large parts of this testimony, Mr. Chairman, to save some time.

Mr. JARMAN. Your statement in full will be made a part of the record.

Mr. NAMMACK. Thank you.

I would like to comment, though, on some of the other issues that have been raised in hearings last week, and a little bit more about the deficiencies in the program itself. I would like to point out that Federal financial assistance has been provided since 1947 to barely one-half of the public airports in this country.

I would like to point out that the ADAP program in its first 3 years has provided Federal financial support to only 731 of the 4,400 public airports in this country; which breaks down to about 16 percent of them.

I point these things out merely to focus your attention for the moment on what one witness said last week when he commented: It is doing a limited job well." And that is about the size of it.

I don't know whether the transportation need study conducted by the DOT has been mentioned during these hearings. I would like to point out, Mr. Chairman, that between 1970 and 1990, Oklahoma states that it will need \$284 million for airport development.

Last year you were one of the top States in getting ADAP project grants. You got 18 worth \$3.8 million.

Mr. METCALFE, last year your State had a \$100 million airport bond issue which was available for airport development purposes in Illinois. Only \$9.6 million was actually spent, for a variety of reasons, including the inability of local people to come up with their portion of the matching share.

However, in the transportation needs study, your transportation authorities claim that in the next 17 years you are going to need close to \$4 billion worth of airport development.

Mr. Dingell, your State transportation people say that you are going to need \$361 million in the next 17 years.

Our question is, gentlemen: Where do any of us think this money is coming from? It is not going to come from the ADAP program. A portion of it will, about 20 percent of it. About 20 percent of it, as our testimony points out, will come from the States. The rest of it is going to have to come from the local sponsors.

We think that the situation may become even more dramatic, gentlemen. You may have noticed that as of July 1 there are new administrative user charges being imposed by the administration. That money will go into the general fund.

Mr. DINGELL. You are talking about the Federal administration?

Mr. NAMMACK. Yes, sir.

Mr. DINGELL. We would like you to list that for us, if you have the information available.

Mr. NAMMACK. I have it available. They are going to start off, Mr. Dingell, by increasing the fees on airmen's licenses, aircraft registration fees—and this is just the tip of the iceberg. Even in the fiscal 1974 budget message the statement is made: "We are going to have the users pay for the entire cost of the system."

This is the beginning. There will be a 30-day hearing on an NPRM coming down next week from the FAA. It is a gesture. You could all make your comments but it will have no practical effect whatsoever. Come July 1—the new user charges.

On top of that, we all know about the cost allocation study recommendations. The study isn't complete, we heard last week. It may be 3 months away yet. Nothing may happen for a year, but the point is, it is there and the philosophy is there.

We think that something Senator Cook said last year might have made the case very clear, and certainly more succinctly than I am making it right now.

He said:

When you create an agency and set up a trust fund and usurp all the basic sources of revenue, you are not likely to find very much participation on a 50-50 basis.

He went on to say that if this Nation desires an improved and coordinated airport system it must make the State and local governments better able to share the financial burden of accomplishing their individual contributions.

Senator Cannon, in his statement on the Airport-Airway Development Act before the Aviation Subcommittee, said that:

A program which overlooks the needs of one segment of the system will not provide the flexibility which is required to bring the total system up to date.

If this committee shares those views you may be interested in the little review we gave of the ADAP/FAAP record a moment ago—the fact that it has done a limited job rather well. But the point is, how limited has that job been?

As a matter of fact, it is worth pointing out that in the national airport system plan, the FAA's plan, there are only 3,250 airports, 75 percent of the publicly owned airports in the country, and those are the only ones eligible for any Federal aid. I guess we have to decide whether those are really the only airports of interest to not only this commission, but to the Nation itself.

If all of the other airports are of no particular interest, then I can stop talking right now. However, we don't believe that that is true.

The Federal Government has certainly concentrated its airport development efforts in the major metropolitan areas. The States and local communities involved have not only matched Federal funding but have gone far beyond, to provide the other necessary elements of airport development that are not eligible for Federal funds.

In addition to providing matching funds for those airports which are considered to be in the national interests, the States have accepted the additional responsibility for the development of those airports which complement the national system—the airports which extend the air service to these smaller communities of the Nation, which must have a link in the national air transport system to even survive.

Many of these smaller communities are represented by you gentlemen on this committee.

The States have prepared, or are now in the process of preparing, State airport system plans, which will form the major elements of the national airport system plan. Airports not selected for the NASP will still have to be developed for the economic well-being of the individual States.

The question facing us is: how? Even at their present rate, Federal taxes on noncommercial aviation fuel and fees for the registration of aircraft—the same sources, incidentally, the same sources of taxation that were utilized by the States; we are in competition with the Federal Government there—these present rates have made it extremely difficult politically for the States to either impose similar taxes or increase those already in effect in order to meet the revenue demands of airport development.

If the new user charges, the administrative user charges and the taxes proposed as a result of the cost allocation study are even one-half

of what is presently being predicted, the Federal Government will not only have completely preempted the field of aviation taxation, but the anticipated decrease in aircraft usage, and the resultant decreased income from aviation revenue sources at all levels of government will be serious.

The States have adopted the premise that redevelopment of the smaller cities and towns of this Nation is a matter of national interest.

As a matter of fact, the President stated that in his state of the Union message when he first took office: "Reverse the migration trend toward the urban centers. Get people back in the smaller communities."

We would like to think that that is still a matter of national interest. And we happen to feel that a magnet that draws people back to the smaller communities is an airport system, a viable airport system, not just 531 air-carrier airports, but the smaller airports in the smaller communities.

If they are not built you are not going to draw anybody back there. They are a catalyst which draws people and industry back to the land.

We think that if the present ADAP policy is continued we will be in a certain sense, continuing some of the mistakes of the past, where the big get bigger and the small get smaller.

To reverse this trend, NASAO hopes to work with this committee in introducing a proposal which will return to the States an equitable percentage of the taxes placed annually in the trust fund.

It is anticipated that this revenue would be distinct from at least those amounts presently provided to sponsors of projects at airports served by the certificated carriers. Funds returned to the States would be applied primarily to capital construction projects at airports included in the State system plans.

If the States were given authority to administer these funds, with the attendant paperwork involved, there would be very substantial savings to the Federal Government.

I would be happy to document just where those savings would come from. As a matter of fact, gentlemen, we ran a survey of every State last year, comparing ADAP projects conducted with FAA participation and those projects run exclusively by the States and local communities, using the same standards, construction standards.

The cost in most cases—and this comes from every State—I would be happy to enter this in the record. Runway extensions, new runways, terminal buildings, you name it—taxiways—it didn't matter what it was, the costs often, customarily, characteristically, were about half of the costs had they gone the Federal route.

The time was cut almost in half for most of these projects.

Mr. DINGELL. By going the Federal route, or by not going the Federal route?

Mr. NAMMACK. By not going the Federal route, sir.

There was a question last week about what is in the trust fund? And I would like to submit, Mr. Chairman, for the record, a statement of exactly what is in the trust fund from the Treasury Department. I think we need some clarification.

Mr. DINGEL. I think without objection that ought to appear in the record at this point. I would ask unanimous consent for that.

Mr. JARMAN. Without objection.

[The table referred to follows:]

Airport and Airway Trust Fund Status
December 31, 1972

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE-BEGINNING OF PERIOD	\$1,103,609,272.68	\$1,058,346,108.56
II. RECEIPTS:		
A. Excise Taxes (Transferred from General Fund)		
1. Any liquid fuel other than gasoline	1,000,000.00	10,356,629.45
2. Tires used on aircraft	30,000.00	1,030,000.00
3. Tubs used on aircraft	10,000.00	510,000.00
4. Gasoline:		
a. Commercial 4 cents tax	100,000.00	600,000.00
b. Non-commercial 4 cents tax	910,000.00	7,306,866.23
c. Non-commercial 3 cents tax	690,000.00	5,485,149.67
5. Transportation by Air, seats, berths, etc.	46,600,000.00	319,450,188.31
6. Use of intercontinental travel facilities	3,200,000.00	28,200,985.84
7. Transportation of property, cargo	3,100,000.00	17,667,753.08
8. Use of civil aircraft	2,800,000.00	8,509,066.01
Total Tax receipts	58,440,000.00	399,116,618.57
B. Less reimbursement to General Fund-Zelfund of Taxes and Estimated Tax Credits:		
1. Commercial Aviation Gasoline	-0-	500,000.00
2. Non-Commercial Diesel	-0-	23,449.00
3. Civil Aircraft	-0-	395,703.78
4. Any Liquid Fuel other than Gasoline	-0-	6,174.00
Total Reimbursement for Tax Refunds	-0-	925,326.78
Net Tax Receipt	58,440,000.00	398,191,291.79
C. Federal Payments		
D. Transfers from the General Fund	-0-	(3,597,815.70)
Net Receipts	58,440,000.00	394,593,476.09
III. EXPENDITURES:		
A. Federal Aviation Administration		
1. Operations	1,944,770.36	70,922,642.71
2. Grants-in-aid for airports	20,696,243.91	112,123,156.41
3. Facilities and Equipment	35,413,246.34	140,530,947.06
4. Research and Development	4,017,481.36	28,740,402.54
B. Aviation Advisory Commission - Salaries and Expenses	47,432.50	692,330.78
Total Expenditures	62,119,174.53	353,009,486.50
IV. BALANCE END OF PERIOD	\$1,099,930,098.15	\$1,099,930,098.15
STATEMENT OF FINANCIAL CONDITION		
Assets:		
Undisbursed Balances		
Airport and Airways Trust Fund (2018103)	448,016,876.46	
Operations	14,229,953.89	
Grants-in-aid for Airports	177,081,331.56	
Facilities and Equipment	411,462,065.67	
Research and Development	46,676,537.96	
Aviation Advisory Commission - Salaries & Expenses	463,332.61	1,099,930,098.15
Investments		-0-
Total Assets		\$1,099,930,098.15
Liabilities		
		-0-
Equity:		
Excess Assets over Liabilities		1,099,930,098.15
Total Liabilities and Equity		\$1,099,930,098.15

Mr. NAMMACK. We were told last week that there is no surplus in the trust fund at the moment. We have to disagree with that. And I think that anyone in this room that is following the action would have to disagree with that. There is a very substantial surplus in the trust fund at the moment.

According to the report from the Treasury Department, which we are handing in now, excess assets over liabilities in the trust funds as of December 31 of this past year, amounted to \$1.1 billion. Of that amount, approximately \$286 million was totally unidentified, uncommitted to any part of the ADAP program. These are Treasury sources.

This is not our imagination talking. The point being, gentlemen, in summation, that the proposal we hope to discuss with this committee to broaden the scope of the ADAP program by—call it a special revenue-sharing program, if we may—sharing a portion of the trust fund revenues with the States, on a population area basis, so that some funds can be funneled into some of the smaller airports equally vital to the States, by the way, and, we like to think, of substantial importance to the Nation.

The point being that the money is available in the trust fund to support that proposal.

I could go on, Mr. Chairman, but I have taken enough of your time at the moment. I would be happy to answer any question, though.

[Testimony resumes on p. 262.]

[Mr. Mammack's prepared statement follows:]

STATEMENT OF JOHN A. NAMMACK, EXECUTIVE VICE PRESIDENT, NATIONAL
ASSOCIATION OF STATE AVIATION OFFICIALS

Mr. Chairman and members of the subcommittee, I am John A. Nammack, Executive Vice President of the National Association of State Aviation Officials. Accompanying me is Mr. Lowell Clark, Chairman of the Oklahoma Aeronautics Commission.

On behalf of our 48 member states, and the millions of citizens of those states who benefit directly and indirectly from State aviation development programs, I cast a vote of confidence and appreciation to each member of this Committee for your sustaining interest in aviation and for your responsiveness to the changing needs of this vital national resource.

That responsiveness is reflected once again in the several pending bills now under consideration. Each of them addresses several of the known deficiencies in the present ADAP program. A strong case could be made in favor of every one of them. Under the present circumstances, that would be an exercise in futility. The Administration's strong opposition to similar legislation passed last year was reiterated even more forcefully last week before this Committee. It was directed at five major elements in Senate bill 38.

We recognize that compromise offers the only realistic hope for realizing ADAP improvements this year. In view of the Administration's position, it appears that even a compromise bill will require overwhelming Congressional support, and possibly further compromise.

PROPOSED ADAP AMENDMENTS

The states have identified H.R. 2695, introduced by you, Mr. Chairman, as the bill which most closely approximates the Administration's position while correcting some of the major deficiencies of the ADAP program. While we must continue to oppose in principle the provision in these bills which would prohibit State and local governments from imposing passenger service charges, we support the remaining provisions of your bill and favor its passage to the passage of no bill at all.

The states specifically support section 5(1) of each of the pending bills which would increase the Federal share for eligible airport projects from 50% to 75% at all but the large hub airports. We support section 5(2) of the pending bills which would provide 82% Federal participation in costs associated with the

purchase of airport certification and security equipment. We agree with section 4 of the proposed bills which would make joint civil-military use airports eligible for ADAP funds by permitting grants to be made to non-Federal sponsors for projects on Federally-owned airports.

While we recognize and will attempt to demonstrate in this statement the fact that the mandatory minimum program level of \$280 million is inadequate to present and anticipated funding needs for airport system development, we share your pragmatic view, Mr. Chairman, that proposed increases can only compound the problems of gaining passage of a bill this year. We understand that the current \$280 million floor can be increased by the Appropriations Committee. We prefer to accept the possibility rather than see all of the proposed amendments impaired on this particular point.

Your bill accommodates another of the Administration's five objections by omitting a provision which would make the public areas of airport terminals eligible for ADAP grants. Although several of our member states favor this provision, the majority again support its deletion as realistic at this time.

We should also like to point out the necessity that Congress act this year to extend the contract authority provision contained in section 14(b) of the Airport & Airway Development Act so that the ADAP program does not suffer the inherent uncertainties and delays which characterized the former FAAP program due to its dependence on the annual appropriations process.

THE HEAD TAX ISSUE

In testimony before this Committee last year, NASAO stated its opposition to proposed Congressional action which would impose a blanket prohibition on the right of the states and local authorities to assess and collect passenger service fees or "head taxes" on passengers enplaning at airports under their jurisdiction. At the same time, we recognized that such taxes should be reasonable and preferably uniform, and that the proceeds should be used for airport development purposes.

The states reiterate that position as a matter of principle more than as a basis of intended practice. It is worth noting that no state has passed "head tax" legislation since the Supreme Court handed down its decision in the *Evansville New Hampshire* case. The states did not take that decision as a green light to begin moving into passenger service charges. In fact, only one state made any attempt—and it was exploratory in nature—to pursue the possibility of imposing such fees, and as Mr. Dingell accurately stated during last week's hearings, the state's intention was to apply the revenue it collected to the development of airports included in the State airport system as well as to the further development of the airports where the charges were collected.

The chairman of the Air Transport Association last week alluded to legislation recently introduced in two states which would levy a 15% gross receipts tax on airline passenger ticket sales within one state and which would impose a 4% airlines excise tax on the carriers' gross receipts from ticket sales in the second state. It may interest this Committee to learn that in the first state, which is Oklahoma, the bill is being actively opposed by the Oklahoma Aeronautics Commission which learned about the legislation only last week. The second state was Hawaii, which happens to be one of only three states who are not presently members of NASAO. As a result, we can offer no comment on the destiny of that bill.

I can state categorically that we are aware of no other state actively pursuing "head tax" legislation at this time. Nor is it our intention to attempt to create a major obstacle with the "head tax" issue to impede the passage of the Chairman's bill which we support.

AIRPORT DEVELOPMENT NEEDS

Despite the substantial impetus given to airport development during the past three years by passage of the Airport & Airways Development Act of 1970, Federal financial assistance provided by the Act has not been sufficient and will not be sufficient under the existing participation formula to meet actual needs. The DOT's Transportation Needs Study of 1972, conducted among the 50 states to determine their estimated funding requirements for transportation modes during the period 1970-1990, helps to illustrate the point. The 50 states declared that they needed \$25.6 billion for airport development alone during this period.

It is difficult to visualize where that level of investment will come from. If the ADAP program were to continue through 1990, and remain at its current annual funding level, it would theoretically provide approximately \$5.6 billion. Available State funds for airport development totalled \$219 million last year, and have been increasing by approximately \$20 million for each of the last three years. Should they continue to be available in these amounts through 1990, they would theoretically provide an additional \$6 to \$7 billion. There remains a gap of some \$13 billion to be provided by local sponsors, with no assurance that either they or the states can in fact meet these commitments.

The current reality is that the states and local sponsors are without adequate revenue sources to provide matching funds for airport development while sustaining the full costs of operating and maintaining their airports. As we noted last year, ADAP grant requests with a combined project value of more than \$500 million were either withdrawn or never submitted by airport sponsors during the first 18 months of the program principally because the sponsors could not raise the required matching funds.

The situation may become even more dramatic for State and local governments in the near future. New administrative user charges on airmen's licenses and aircraft registrations are tentatively scheduled to become effective July 1, 1973. They are designed to raise an estimated \$50 million per year for the general fund to cover the costs of these Federal services. The DOT's Cost Allocation Study, though not yet completed, will eventually seek to recover all Federal costs associated with the operation and maintenance of the airport/airway system via a schedule of user charges not yet determined.

Senator Mariow Cook stated the case more succinctly during Senate ADAP hearings last year when he said: "When you create an agency and set up a trust fund and usurp all the basic sources of revenue, you are not likely to find very much participation on a 50-50 basis." He went on to say: "If this nation desires an improved and coordinated airport system it must make the State and local governments better able to share the financial burden of accomplishing their individual contributions."

Senator Howard Cannon stated in the Senate Aviation Subcommittee's report on the Airport & Airway Development Act that "a program which overlooks the needs of one segment of the system will not provide the flexibility which is required to bring the total system up to date. . . . An airport development bill should seek to aid in remedying the total air transportation problem."

If this Committee shares those views, it may be interested in reviewing the FAAP/ADAP record.

FEDERAL AID TO AIRPORTS

FAA statistics indicate that from the inception of the Federal Aid Airports Program in 1947 through January 31, 1973, FAAP funds totaling \$1.94 billion were provided for some 8,000 projects located at 2,314 of the nation's public airports. Total sponsor funds for the same projects amounted to \$1,244 million. For the ADAP program from its inception through December 31, 1972, FAA statistics show that 666 grant agreements at 405 air carrier or reliever airports were signed involving Trust Funds totaling \$544 million. ADAP commitments for 355 projects at 326 general aviation airports totalled \$46.6 million since the program began.

The percentage distribution of those ADAP funds was approximately 55% to the 25 large hubs, 13.5% to the 38 medium hubs, 12.4% to 88 small hubs, 12% to some 375 non hubs, and 7.4% to general aviation airports.

The point of all this is that neither the FAAP nor the ADAP program were designed to provide for the needs of the total air transportation system. Under FAAP, barely more than 50% of the nation's 4,400 public airports received any Federal aid. Under ADAP, only 731 of our public airports have received Federal aid to date. It is apparent, then, that significant segments of the total airport system—50% under FAAP and more than 80% under ADAP—have not yet benefited from Federal airport assistance. In fact, only 75% of the nation's public airports—totaling 3,240—are even considered eligible at the present time for ADAP assistance.

PROPOSED SOLUTION

One witness who appeared before this Committee last week stated that the ADAP program "is doing a limited job well". Like him and his constituents, we are grateful for it. But we respectfully ask this Committee to consider, in light

of the statistics we have just reviewed, how limited the job is that is being done. Should you conclude that the program's scope is too restricted, and that you did not intend to overlook entire segments of the airport system, then you may be willing to consider a proposal which would broaden the scope of the program.

The Federal government has concentrated its airport development efforts in the major metropolitan areas of the nation whose airports serve the national and international traveler. The States and local communities involved have not only matched Federal funding but have gone far beyond to provide the other necessary elements of airport development that are not eligible for Federal funds.

In addition to providing matching funds for those airports which are considered to be in the "national interest", the states have accepted the additional responsibility for the development of those airports which complement the national system by extending air service to the smaller communities of the nation which must have a link to the national air transportation system to survive. Many of these small communities are represented in Congress by the members of this Committee.

The States have prepared, or are in the process of completing State Airport System Plans which will form the major elements of the National Airport System Plan. Those airports not selected for NASP will still have to be developed for the economic well being of the individual States. The question facing the States is "How?".

Even at their present rate Federal taxes on noncommercial aviation fuel and fees for the registration of aircraft—the same sources of taxation utilized by many States—have made it extremely difficult politically for the States to either impose similar taxes or increase those already in effect in order to meet revenue demands for airport development and improvement.

If the "administrative user charges", and the taxes proposed as a result of the Cost Allocation Study are even less than one-half of amounts presently being predicted, the Federal government will not only have completely preempted the field of aviation taxation, but the anticipated decrease in aircraft usage and the resultant decreased income from the aviation revenue sources of all levels of government—Federal, State and local—will be serious.

The States have adopted the premise that redevelopment of the smaller cities and towns of the nation will combat the ever worsening problems of urban concentration. It is our understanding that this same premise has been adopted as national policy. NASAO believes that a viable airport system would function as the catalyst which would expedite the realization of this goal.

If the present ADAP policy is continued, then we continue the mistakes of the past through which the "big get bigger and the small get smaller". To reverse this trend, NASAO hopes to work with your Committee in introducing a proposal which will return to the States an equitable percentage of the taxes placed annually in the Federal Airport/Airway Trust Fund. It is anticipated that such revenues would be distinct from at least those amounts presently provided to sponsors of projects at airports served by the certificated air carriers. Funds returned to the States would be applied primarily to capital construction projects on airports included in the State's system plan. If the States were given authority to administer these funds with the attendant paperwork involved, it would not only serve to expedite the development of a national air transportation system, but would save considerable money for the Federal government.

We believe that Federal trust funds for this purpose are available. According to a report from the U.S. Treasury Department, excess assets over liabilities in the Trust Fund as of December 31, 1972 amount to \$1,099,930,098.15. Of that amount, it was reported that \$286 million represented an uncommitted surplus.

Thank you, Mr. Chairman, for accepting this statement. I would be glad to attempt to answer any questions.

Mr. JARMAN. Mr. Nammack, I think it is a good statement.

Has your association come up with any definite proposal for returning to the States an equitable percentage of the taxes placed annually in the airport-airway trust fund? Have you reached a conclusion yet on what you are going to recommend?

Mr. NAMMACK. Yes, sir; we have and I would be happy to submit a formal copy of our proposal to the committee for your consideration.

Mr. JARMAN. I think the committee would be very much interested in seeing it.

[The following proposal was received for the record:]

TRUST FUND REDISTRIBUTION LEGISLATION PROPOSAL

ISSUE

The Federal government has a vital interest in the development of a national air transportation system and to this end has concentrated its efforts in airport development in the major metropolitan areas of our nation whose airports serve the national and international traveler.

State government has accepted its role in assisting the Federal government with airport development in the metropolitan areas and the development of those airports which will complete the national system bringing air service to smaller communities of our nation.

The Federal government has levied user taxes of such magnitude on the aviation public so as to preempt the field in taxation, resulting in a lack of local-sponsor funds required for matching to participate in the Airport and Airways Development Program.

National policy has been established to encourage the redevelopment of the small cities and towns of this nation to combat the problems of urban concentration. A viable airport system is the catalyst which will expediate the realization of this goal.

OBJECTIVE

State government aviation officials through their national association are asking Congress to seek the necessary avenue to assure that the funds amassed by aviation user taxes on the Federal level be returned in part to the States on an equitable basis so as to allow the States themselves to build and maintain the States portion of the total national air transportation system to which this nation is firmly committed.

I. 10 per centum of monies collected annually and credited to the Aviation Trust Fund shall on July 1 of each fiscal year beginning July 1, 1974 be distributed among the qualifying States and territories in the following manner:

(a) 97 per centum for the several States, one-half in the proportion which the population of each State bears to the total population of all the States, and one-half in the proportion which the area of each State bears to the total area of all the States.

(b) 3 per centum for Hawaii, the Commonwealth of Puerto Rico, Guam, and the Virgin Islands, to be distributed in shares of 35 per centum, 35 per centum, 15 per centum, and 15 per centum, respectively.

II. The Secretary after consultation with the appropriate State agencies shall establish standards for the qualification of States and territories participating in the program.

III. Funds so distributed may be utilized by the States and territories in a manner determined by them to build and maintain their portion of the national airport system.

IV. Funds distributed under this section may be utilized to satisfy local funding requirements under ADAP projects.

V. Administrative costs incurred by the States and territories shall be allowed in an amount not to exceed 3 per centum of the apportioned amount.

VI. Each amount apportioned to a sponsor under the plan shall during the fiscal year for which it was first authorized to be obligated and the two fiscal years immediately following be available for approved airport development. Any amount apportioned as described in this paragraph which has not been obligated by grant agreement at the expiration of the period of time for which it was so apportioned shall be added to the discretionary fund.

PROPOSAL

The National Association of State Aviation Officials proposes the amendment of the Airport & Airway Development Act of 1970, Public Law 91-258, to permit the Federal government to return to the States a portion of the Airport & Airway Trust Fund revenues derived from the Federal user taxes.

NASAO recommends that 10 per centum of the Trust Fund revenue be returned to the State aviation agencies each year by the currently used apportionate (area population) method which will assist local funding efforts to participate in ADAP projects, more rapidly achieve a viable airport system serving all citizens, and better implement the intent of Congress as demonstrated by this act.

Mr. JARMAN. In round figures, can you state what you are proposing?

Mr. NAMMACK. The percentage mentioned is 10 percent of the revenue in the trust fund annually; which this year would amount to \$77 million.

Mr. PODELL. Would the chairman yield?

Mr. JARMAN. Yes.

Mr. PODELL. Would you try and explain to me how you can reconcile the problem of allocating a revenue-sharing program to the States, with the fact that, based on population, not based on airport use, some airports of certain States have an excessive amount of usage, while others do not?

So, a State with a large population, such as New York, with Kennedy and all of its transatlantic flights, would require a greater proportion of the money that would be allocated than would another State that had a large population but not as much traffic.

Mr. NAMMACK. Mr. Podell, we found it was not merely a matter of convenience, but of practicality to recommend the same sharing formula as exists in the present ADAP program. Area population—that is called State allocation. It is allocated on the basis of area population of the State, as you know.

Mr. PODELL. What would you provide for instance in a State such as New York where there is a tremendous amount of air traffic which is far out of proportion to its population?

Mr. NAMMACK. I am not so sure I understand your question, sir, but I think I do.

Mr. PODELL. If I understand, you propose a revenue-sharing program, with moneys to be allocated to the State for distribution in the manner that it sees fit.

Mr. NAMMACK. No, no. These would have to be labeled, "For aviation purposes only."

Mr. PODELL. Obviously, for aviation purposes. But in the manner that the State would see fit. Is that correct, based on population?

Mr. NAMMACK. Yes.

Mr. PODELL. Now, what allowance have you made for the fact that certain States have an enormous amount of air traffic, not commensurate with their populations, as in the case of New York, where we have transatlantic flights and things like that, people coming into New York and then flying to various other localities?

Mr. NAMMACK. I wonder, sir, have you possibly misunderstood our proposal? We are not suggesting that this revenue-sharing proposal

supplant the ADAP program. This is in addition to the ADAP program.

So, in your case the existing ADAP program would continue to take very good care of Kennedy and La Guardia Airports.

Mr. PODELL. But you would make no provision in your proposal for the additional traffic of certain airports?

Mr. NAMMACK. I suppose not. We would leave that to the discretion of the individual State directors and transportation authorities, to determine where best that money could be invested, in which airports the need is greatest.

Mr. PODELL. Thank you.

Mr. JARMAN. Mr. Dingell.

Mr. DINGELL. You have made several statements here, sir, that are of considerable interest to all of us. One of the matters that has troubled me is that in Michigan they have imposed a head tax on passengers going out of the Detroit Metropolitan Airport for the purpose of constructing airports in other parts of the State and for, perhaps, purposes of general revenue, and we don't know exactly what they are on, but this is most offensive to the people who come from my district.

Do you indicate to us that there is nothing of this kind that you can put elsewhere in the country, that we are the only ones who have been the proposed beneficiaries of that kind of undertaking?

Mr. NAMMACK. I will cross my heart. No State is now actively considering a head tax, that we are aware of. And we cover all but three States.

Mr. DINGELL. Now, you have indicated to us here, and submitted a report for the record which indicates that there is a surplus at the end of the period. This is December 31, 1972. That is \$1,099 million in the trust fund. Now, is that on a straight line basis so that we could anticipate that every year there would be \$1,099 million or would we find that there would be \$1,099 million this year, and then next year there would be the same thing and then 3 or 4 years hence we would find that that surplus which had been built up in the early part would be beginning to be dissipated by the end of the 10-year period for the utilization of the trust fund, so that there would be zero, less than zero, or 10 times the \$1.1 billion figure that you have indicated.

Mr. NAMMACK. Sir, I would like to answer that by referring to testimony presented by the Air Transport Association in hearings last year when they made a rather substantial study of that very point and indicated, demonstrated, that the surplus in the trust fund will be constantly building. It will reach a very substantial figure by the end of 5 or more years. It already is substantial, as a matter of fact.

Mr. DINGELL. I am curious. You said at the end of 5 years. The period for the trust fund is 10 years. Now, what would the figure be at the end of 10 years now?

Mr. NAMMACK. I don't recall what ATA came up with, but I would be happy to find out with one telephone call and then submit it for the record.

[The following information was received for the record:]

FORECAST OF AVIATION USER TAXES AND FEES TO BE PLACED IN AIRPORT/AIRWAY TRUST FUND¹

[In millions of 1970 dollars]

Type of tax or fee	1971	1972	1973	1974	1975
Aviation fuel (gas and turbine).....	45.3	47.9	50.4	52.3	55.4
Passenger ticket tax.....	509.6	552.5	617.9	692.7	772.2
Cargo tax.....	33.6	35.1	39.7	44.9	50.8
International passenger tax.....	38.4	41.4	45.9	51.0	56.7
Aircraft use fee (\$25):					
Air carrier.....	.1	.1	.1	.1	.1
General aviation.....	3.2	3.3	3.4	3.5	3.7
Aircraft weight fee:					
Air carrier.....	10.9	11.5	12.0	12.8	13.7
General aviation.....	6.1	4.1	4.4	4.7	5.2
Tires/tubes.....	3.2	3.4	3.5	3.7	3.9
Total.....	650.3	699.3	777.3	865.7	961.7

¹ From DOT Cost Allocation Study Group Jan. 15, 1973.

[From Business Aviation, Feb. 5, 1973]

Trust fund balance at the end of fiscal 1974 is expected to total \$1.624 billion (of which \$916 million will be unappropriated), compared to an estimated \$1.336 billion at the end of the current fiscal year. Trust fund revenues during fiscal 1974 will total approximately \$851 million, the eight per cent airline ticket tax is anticipated to account for \$697 million (82 per cent), while general aviation fuel taxes are expected to account for only five per cent.

FEDERAL AVIATION ADMINISTRATION, AIRPORT AND AIRWAY TRUST FUND—COMPARISON OF REVENUES/OBLIGATION AUTHORITY, FISCAL YEARS 1971-80

[In millions]

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Revenues:										
User taxes.....	563	676	752	851	946	1,051	1,168	1,294	1,432	1,583
Federal payment.....		647	4							
Total revenues.....	653	1,323	756	851	946	1,051	1,168	1,294	1,432	1,583
Obligational authority:										
Grants-in-aid for airports:										
Development grants.....	170	280	280	280	280	280	280	220	220	210
Planning grants.....	10	15	15	15	15	15	15	15	15	15
Facilities and equipment.....	48	302	250	290	295	295	295	295	295	295
Engineering and development.....	24	63	74	120	130	127	131	120	120	120
Operations.....	33	966								
Aviation Advisory Commission.....	1	1								
Total appropriations.....	286	1,627	619	705	720	717	721	650	650	640
Uncommitted surplus:										
Current.....	277	-304	137	146	226	334	447	644	782	943
Cumulative.....	277	-27	110	256	482	816	1,263	1,907	2,689	3,631

¹ The cumulative uncommitted surplus of \$3,600,000,000 shown for fiscal year 1980 is based upon the forecast of appropriation levels contained in the current FAA National Aviation system plan. If the funding levels for the 10-year period were limited to the minimum amounts authorized by the Airport and Airway Development Act of 1970, the projected surplus would increase by \$828,000,000 to a total estimated cumulative surplus of approximately \$4,500,000,000.

Sources: Fiscal years 1971-73, FAA Office of Budget; Fiscal years 1974-80, FAA's National Aviation system plan: 10-year plan 1973-83 (revenues in current dollars, obligational authority in 1972 dollars).

Mr. DINGELL. I think it would be useful to have your assistance on this matter. I intend to pursue the matter independently. But I think you could provide a service to yourself and also to the committee on this point, because if we got this kind of a buildup in the trust fund going on, I think we would be hard put to justify that kind of circum-

stances to our constituents, particularly in view of the need, and particularly in view of the fact that we are stripping the local units of government and others of the capacity to engage in proper raising of revenues.

Mr. NAMMACK. Of course, the administration testified last week that according to their interpretation of the trust fund surplus there is no surplus there at all, because you deprive them of the right to take money out of the trust fund for FAA O. & M. And they are coming right back this year, as you know, to try once again.

Mr. DINGELL. They will get small sympathy in this committee for that purpose.

Mr. ADAMS. Will the gentleman yield?

Mr. DINGELL. Yes, I yield.

Mr. ADAMS. Is this quarrel over how much of the surplus only involved with the fact that they want to pay for FAA general operations expenses out of this trust fund and cut back on the amount of general revenues that are spent on the airway system? Or is it as they stated in their testimony, that there haven't been enough requests even to absorb the money that is there?

Mr. NAMMACK. Sir, let me take it in reverse order. That last part of your question, as you know yourself very well, is not true.

Mr. ADAMS. In other words, they just simply didn't tell it like it is in terms of whether or not there have been requests by the States and local governments, or are in the process of being made available to use the money that has been in the trust fund?

Mr. NAMMACK. It was a very difficult drum to beat, sir, and I felt for them last week.

Mr. ADAMS. Now, we made a decision a year ago, or 2 years ago, this committee did, that there should be certain general funds spent on the airport and airway system because there were military uses involved with that system, and that the Nation had some interest in maintaining a system that went beyond whatever might be involved with the commercial airlines.

Can you give me any estimate as to what was involved in that, as opposed to the funds that we are spending out of ADAP or out of user charges? In other words, what was the amount that was to be transferred into operations? Do you remember that figure?

Mr. NAMMACK. Well, as I recall there was a transfer of \$960 million at the beginning of last year. As a matter of fact, when the ADAP program first started up, there was a paper transfer of \$960 million for FAA O. & M. costs in the trust fund: \$650 million has been paid back to the trust funding, to the best of my knowledge, after you passed the legislation last year prohibiting the use of trust fund moneys.

Mr. ADAMS. I thank the gentleman for yielding.

Mr. SHOUP. We have heard allegations, and they have not been substantiated, I believe, on either side, from the Department of Transportation or from those that disagree with them, as to why we have seen a slow development of much-needed aviation facilities.

The Department, of course, says that we are moving at a reasonable pace; that we have an excess in the ADAP fund available for construction and it was only there because there were no needs for it at the present time.

Of course you countered that with another allegation and I think possibly you are in a better position than almost any other witness to furnish us with some concrete facts and figures on the amount of, or the lack of, public or local moneys, matching moneys. Could you do that for us?

Mr. NAMMACK. I certainly could, sir, and I would be delighted to. One general statement which we made last year is perhaps worth repeating.

The figure I am going to hand you is directly from the FAA, from Lamar Guthrie, who is in the Airports Service and is charged with keeping track of these things, \$500 million worth of ADAP projects were either withdrawn or never even submitted in the first 18 months of the program, primarily because the local and State people could not raise their matching share. That involves 900 projects.

Mr. SHOUR. Could you identify these that you have in your records?

Mr. Chairman, I would ask unanimous consent that what I have asked him to submit be included in the record.

Mr. JARMAN. Without objection, it is so ordered.

[Testimony resumes on p. 286.]

[The following information was received for the record:]



NATIONAL ASSOCIATION OF STATE AVIATION OFFICIALS

SERVING THE AVIATION AGENCIES OF THE STATES

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Arizona

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Oklahoma

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Georgia

FEDERAL VS. STATE AIRPORT DEVELOPMENT

Examples of recent State airport development projects which were completed without Federal participation to reduce project costs and time. Most of these projects were eligible for Federal financial aid.

(Excerpts from 1972 State Aviation Survey on Federal vs. State Airport Development Project Costs:)

ALABAMA Department of Aeronautics:

"Our small airport program produced 84 publicly owned airports at an average cost of \$47,000. Most have runways 3,000 to 7,000' (paved) and are lighted. Under FAA standards, we might have built only 10 airports for the same money. There were numerous reasons these airports were constructed without Federal aid:

- 1) FAA required more land purchased.
- 2) FAA requirements were too restrictive.
- 3) Counties and Cities had sufficient equipment and personnel, and by using these facilities an airport could be constructed more quickly and more cheaply than by contract.
- 4) In most cases, cash items were paid by the State, and the sponsors did the work and the engineering.

Please note that one exception to FAA requirements is that our paved runways exceed FAA requirements."

ARIZONA Department of Aeronautics:

"The following airport projects were undertaken without Federal aid for reasons cited:

ARIZONA (continued):

Bisbee and Chandler - FAA application withdrawn because of long delay in processing; costs escalated beyond financial ability of sponsor and State.

Prescott - FAA required city to undertake major project to overcome minor non-compliance. Was beyond financial capability of city and State. State and city will undertake on small stage construction basis.

Gila Bend and Yuma - FAA specifications too rigid for sponsor. City and State can complete at substantially less cost.

The above projects could have fallen within the area of FAA participation except for rigid interpretation of regulations and specifications which exceeded local requirement. There are other projects which we have undertaken on a stage construction basis without requesting Federal aid simply because the scope and the time involved were excessive."

IDAHO Department of Aeronautics:

"Twelve recent airport projects were eligible for Federal participation, but were accomplished without Federal help. The reasons most frequently given for not applying for Federal aid are unreasonable paperwork and unjustifiable standards and procedures.

The small cities that do apply for Federal aid do so at the insistence of the State as a condition for receiving State aid. Bonners Ferry started with a Federal aid project in 1966. The project was finally started the first of August 1972. The costs went up so drastically that an \$80,000 project ended up costing \$128,000 for only Phase I. The paperwork involved can literally be measured in feet and inches.

One of the worst problems encountered are the changes in FAA standards and, worse, the change in FAA personnel assigned to the projects. Each man would have his own interpretation of the requirements only to have another follow with a new change."

IOWA Aeronautics Commission:

"In the State of Iowa it has been our experience that Federal aid in airport projects, particularly in the smaller towns, nearly doubles the cost of most construction projects. This is due to the criteria and design standards required, the adherence to labor standards required of contractors bidding on the jobs and now, under the new ADAP, the various hearings cost more and add time to the projects.

IOWA (continued):

"For runway and taxiway lights, REILs and airport beacons we use equipment manufactured by companies such as Manairco, ALNACO and others. Perfectly good equipment and much less expensive than FAA required equipment.

Also, we assist towns in overlaying asphalt runways and seal-coated runways with a resurface of asphalt or concrete applied under our own standards which are most adequate but not federally eligible."

KANSAS Department of Economic Development Aviation Division:

"During the past eighteen months, nine cities have constructed hard surface runways at their airports without the aid of Federal funds. In each case, after receiving an FAA estimate, the job was done for about one-third of the Federal projection. There were also three new airports built in Kansas. Land acquisition and construction was done without the aid of Federal funds."

MICHIGAN Aeronautics Commission:

"Over twenty-four major airport projects have been completed in recent years without Federal aid. Some of the reasons were that they could not meet Federal standards; they were part of the State's program to supplement FAA facilities for enroute aids; they were constructed under emergency conditions where time was of the essence.

All other projects were too small to wade through the FAA "red tape"; thus 'time and money' were saved by doing them State-Local."

MINNESOTA Department of Aeronautics:

"Budgeted \$3,000 for REILs in 1963 when FAA was budgeting \$18,200."

MISSISSIPPI Aeronautics Commission:

"Medium intensity runway and taxiway lighting was installed at twelve airports in only 60-90 days from request dates to completion of projects at exactly half of what it would have cost with Federal aid. Aid had been request but lighting for general aviation airports was considered low priority under FAAP, and our requests were denied.

Runways resurfaced at 5 airports at approximately 2/3 the cost of what Federal projects would have been. Due to poor conditions of existing pavement, could not wait the 3 to 12 months' time for processing Requests for Aid by FAA.

MISSISSIPPI (continued):

"New Airport parking area and connecting taxiway was built at airport which was in process of disposing of a non-compliance matter. Need was imminent, and project was completed for approximately half the cost of a Federal project.

Two new general aviation airports were constructed without Federal aid because they were not included in the MAP or the NASP. Establishment of sod facilities were necessary to obtain MAP qualification. We completed the two airports at half the cost and 1 to 2 years sooner without Federal aid.

Completed Airport Master Plan Study for the Philadelphia Municipal Airport to substantiate runway length requirements for \$3,700. Completed prior to Planning Grant Program. Estimated cost under PGP: \$24,000!

New 36" airport rotating beacons were installed at two airports at approximately one-half the cost estimated with Federal participation and within only 60-90 days of the original request. "

MONTANA Aeronautics Commission:

"Approximately \$40,000 was saved at each of the five new airports constructed without FAA participation. These projects were undertaken because Federal money was not available either because of an inadequate tax base to generate matching funds or because the community was not listed on the National Airport Plan. We estimate a \$20,000 per job saving on the airport paving projects which were accomplished with State/Local monies. The apron and taxiway projects were undertaken for the same reason and saved approximately \$10,000 per job.

Also, low-intensity lighting systems were installed at five communities due to their inability to finance the cost of the FAA-approved medium-intensity systems and because the need for higher intensity lighting does not exist in these cases. We feel that roughly \$12,000 savings was realized in each installation."

NEBRASKA Department of Aeronautics:

"Although Nav-Aids are now eligible, we are still contemplating and planning further expansion on these and weather stations, primarily because the Federal government does not recognize the need or, because of lack of Federal funds, ignores the need.

NEBRASKA Department of Aeronautics:

"Low intensity lighting, however, is what we believe we can do at considerable savings to ourselves and the communities. The maximum cost to the Department and municipality using actual cost (plus donated values) is \$4,000 per. This compares to the current FAA requirements for medium intensity systems (including mandatory VASI for one approach) for an average cost of \$30,000 per. The low intensity system is installed only at General Aviation airports with low activity.

We paid \$3,250 for a dual 75mc fan marker (complete) while FAA's estimate was \$25,800."

NEW MEXICO Department of Aviation:

"Recently the 150' wide runway at Deming Municipal Airport was repaved and reduced to only 60' width. FAA would have required removal of MIRL at the 150' width and reinstallation at the 60' width (not eligible) and obliteration of pavement outside the 60' width. Costs:

Total	\$160,000
FAA eligible	<u>78,400</u>
Sponsor	81,600
Non-FAA project total	60,000
Net savings to taxpayers	<u>\$ 21,600 "</u>

NORTH CAROLINA Department of Transportation, Aeronautics Office:

"During the past three years the State has completed two airport projects without Federal aid. In one, a tentative allocation had been made by FAA for \$117,400, which was declined. The airport was constructed for \$173,000, whereas a 3800' runway with Federal aid was estimated at \$234,800--(and we used FAA specifications).

The second airport was constructed for \$89,000 and land was donated by the National Park Service. This was accomplished with a cold-mix asphalt as opposed to the FAA's hot-mix requirements, and the runway, after 3 years, is in excellent condition. We have no cost figures or estimates of how much the runway would have cost with FAA, but everything would have had to be barged in, so it would have been extremely high."

NORTH DAKOTA Aeronautics Commission:

"Between 1970 and 1972 there were 39 General Aviation airport construction or improvement projects in North Dakota of which 31 had no ADAP funds involved. (One of the 31 is an air carrier airport served by CAB certificated airline.)

NORTH DAKOTA (continued):

Reasons for not seeking ADAP Funds:

- On low-cost runway light projects, ADAP standards are too costly.
- Paving or hardsurfacing runways - Engineer opposed to making application and advised sponsor that project with ADAP funds too costly. Wanted to build project on a negotiated basis with contractor nearby constructing paved highway. Engineer claimed much lower prices on plant hot mix and materials under this system.
- Most frequent complaint is too much paperwork associated with small ADAP projects and too much time in getting a project underway.
- ADAP projects involve slow payout to sponsor at inflated costs for the construction on small projects.
- FAA writes in too many special conditions in "Grant Agreements" which in some cases stops all progress payments while under construction, causing trouble for both the sponsor and the contractor.
- FAA applies the same standards and paperwork for a small airport project as it does to a million-dollar project.
- Airport sponsors have found from experience that the FAA "Grant Agreement" is not a binding contract with the FAA, since the FAA or the auditor may delete payment for construction items and change orders, if it so determines."

PENNSYLVANIA Department of Transportation:

"During FY 1971-72 we have participated, on a matching basis with the local communities, in five major airport projects. In view of the work descriptions and estimated costs of these projects, it was felt that the work could be accomplished at lower costs and/or shorter time periods without ADAP funding."

SOUTH DAKOTA Aeronautics Commission:

"Most of the recent 16 construction projects could have been eligible for Federal funding, but due to the lack of funds on their part or the inability of their program to react to the needs of these small communities, they were constructed on a State/Local basis. Most of the construction, paving and extension projects were conceived in the early spring of the year and constructed that same summer with very little paperwork. This, of course, is not possible under the ADAP Program.

SOUTH DAKOTA (continued):

"We also have a beacon program which functions on its own or with the LIRL system. Under this program there have been 13 L801 beacons and 8 ALNACO beacons installed.

The State has purchased two off-site VOR's which are not eligible for ADAP funding because they do not fall in the 'terminal' category and are not eligible for airway money because the activity does not exist at these points to justify Federal installations. However, the FAA now has agreed to take these two VORs over into their Federal system.

Please note that the State/Local project costs are considerably less than if Federal projects were pursued. The reasons for better economics in the S/L program is the ability to 'let' projects in the counties where highway projects are taking place and allowing city and count crews to do the projects themselves on a force account basis."

TEXAS Aeronautics Commission:

"Since 1966, Texas has requested Federal aid for only 47 of 177 airport projects in 113 locations because State/Local authorities were convinced the projects could be accomplished cheaper and faster without Federal participation. Of the total, 51 projects involved new airports. Two examples are the New Boston Airport (\$110,000) and Seminole Airport (\$277,000)."

UTAH Division of Aeronautics:

"We have purchased and installed MIRL systems in 14 airports for much less than half the cost had we requested Federal aid.

We use high quality FAA-approved components, but eliminate most of the engineering cost by using our airport engineers. By involving the community and Utah Pilots Association, through donated labor, actual cash outlay by the community for the installation is practically eliminated. You can appreciate the benefit to a small community.

Regarding Nav-Aids we found ourselves in the position of not qualifying under FAA's ridiculous use criteria, however, convenience and necessity to the flying public dictated some type of navigation facilities. There existed some glaring gaps in the navigation system in the remote areas of the state which also needed filling.

Quite often at airports that need an overlay or special type sealcoat, the opportunity arises to combine the project with another community project at a significant saving. Due to the cumbersome and time consuming procedures and their reluctance to recognize new techniques and products not covered in the book, it is not feasible to wait for FAA participation.

UTAH (continued):

At Price, Utah, the city and county had contracted with a firm to rejuvenate some of their streets using a heated remix procedure. At tremendous savings it was agreed to use the procedure on one of the runways. Again due to timing, not requiring sophisticated engineering and administration--and not being an FAA-approved procedure--the job was completed very successfully and a great deal less expensively to the taxpayer.

In summary, projects can be completed at less expense by not being hamstrung with FAA's requirements for elaborate engineering, administrative procedures and their failure to recognize any product or procedure not covered by the book."

WEST VIRGINIA Aeronautics Commission:

"At Weston Airport, State and Local sponsors financed \$150,000 for runway paving, after learning that following Federal specifications would have almost doubled the cost."

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The following are partial results of an ON-GOING NASAO SURVEY:
(Replies are still coming in)

April 1973

AIRPORT DEVELOPMENT AID PROGRAM PROJECT REQUESTS
WITHDRAWN OR NOT SUBMITTED BY STATE AND
LOCAL SPONSORS BECAUSE OF INABILITY TO RAISE MATCHING FUNDS

FROM
NASAO

STATE PROJECT APPLICATIONS WITHHELD OR WITHDRAWN (c) 1970-1972

ARIZONA
Total: 17

Yuma - Ramp and fencing
Gile Bend - Lengthen runway, construct taxiway, rebuild portion of runway
Prescott - Construct ramp, re-construct taxiway, rebuild portion of runway
Glendale - Construct parking apron, light and taxi turnoff.
Showlow - Realign and pave runway
Douglas - Overlay runway
Sierra Vista - Construct Aircraft apron, taxiway, access road, and fence for joint-usa airport.
Coolidge - Overlay runway and light

St. Johns - Build cross-wind taxiway, extend existing runway, overlay taxiway and security fencing.
Wickenburg - Construct service ramp, apron and construct taxi turnoffs.
Scottsdale - Misc. lighting, eprone, taxiway turnoffs, etc.
Sedona - Miscellaneous
Parker - Miscellaneous
*Chandler Municipal Airport
*Bisbee Airport
*Safford Airport
Nogales

ARKANSAS
Total: 18

Fayetteville Northwest Arkansas Regional Airport
Warren - Lengthen and widen runway
Marianna - New Airport
Clinton - New Airport
Siloam Springs - Lengthen and widen runway
Augusta - New Airport
Bentonville - Strengthen and widen runway
England - New Airport
Gurdon - Pave and light runway
Hope - Repairs to runway
Hughes - New Airport

Magnolia - Runway overlay
MaVERN - Lengthen and widen runway
McGehee - Runway overlay
Mountain Home - Runway overlay and ramp
No. Little Rock - Lengthen runway
Osceola - Lengthen and widen runway
Paragould - Lengthen and widen runway

PROJECT APPLICATIONS WITHHELD OR WITHDRAWN (*)

FLORIDA

Total: 34

Appalachicola	Lighting	Stuart	Apron/TW/Lights
Bunnell	Lighting	Venice	Taxiway
Cross City	Lighting/Taxiway	Williston	Apron/TW/Lights
DeFuniak Springs	Taxiway	Zephyrhills	Apron/TW/Lights
Dunnellon	Apron/Taxiway	Cedar Key	Apron/TW
Immokalee	Apron/Taxiway	Fernandina	Taxiway/Lights
Lake Wales	Apron/TW/Lights	Key West	Runway Repair/Lights
Leesburg	Apron/Taxiway	Lake City	Apron/TW
Live Oak	Taxiway	Quincy	RW Extension
Marathon	Apron/TW/Lights	Hilliard	Pave RW/Lights
Milton "T"	Taxiway	Avon Park	Land - CZ
Naples	Apron/TW/Lights	Belle Glade	Pave RW, Apron
New Smyrna Beach	Apron/TW/Lights	Charlotta County	Lights; VASI
Okeechobee	Apron/TW	Sebastian	Lights - TW - Apron
Palatka	TW/Lights	Clewiston	Pave-Ingchen-RW
Perry	Taxiway	Keystone	Lights
Sebring	Lights	Madison County	Pave RW

INDIANA

Total: 4

"Four airport projects cancelled because we had no matching funds."

IOWA

Total: 3

Cedar Rapids - Reconstruction and overlay of instrument runway and ramp area
 Eagle Grove - Expand and hard surface the NW/SE runway
 Grinnell - New Airport and a Hard Surfaced runway

MASSACHUSETTS

Total: 13

Worcester	Runway repair and overlay.	Norwood	Clearing line of sight for
Martha's Vineyard	Runway reconstruction.	Hyannis	Light taxiway.
Nantucket	Runway reconstruction.	Turners Falls	Parallel taxiway.
Lawrence	Crack fill and seal.	Taunton	Apron.
Beverly	Runway reconstruction.	Mansfield	Apron.
Pittsfield	Crack fill and seal.	Fall River	Lighting.
		Provincetown	Approach lights.

PROJECT APPLICATIONS WITHHELD OR WITHDRAWN (*)

MICHIGAN
Total:

*Battle Creek - Textiwey for ⁱⁿ Primary runway
"Numerous sites have failed to submit ADMP application due to lack of local funds.
Presently three airline airports: Alpena, Benton Harbor and Escanaba, do not have
local matching funds for site preparation for ILS that is a prime safety item."

Approx. 100

MINNESOTA
Total: 20

All for paving or lighting of existing turf runways or extensions of existing paved runways:
Barnesville
Long Prairia
McGregor
Morris
Roseau
Sauk Centre
Slayton
Tofta
Tower
Two Harbors
Walker
Brainerd-Crow Wing County
Cloquet - Carlton County
Chisholm-Hibbing
Glencoe
Glenwood
Grand Mareis
Grand Rapids - Itasca County
International Falls-Koochiching Co.
Jackson

MISSOURI
Total:15

Kirksville
St. Joseph
Tarkio
Butler
California
Harrisonville
Kennett
*Kirkeville
Maryville
Memphis
Monett
Mountain View
Perryville
St. Joseph
West Plains

NEW HAMPSHIRE
Total: 3

Laconia Airport - Complete taxiway. 50% Federal, 25% State, 25% Local. State appropriated its share of \$52,000 in 1969. Laconia has been unable to raise its \$52,000. State funds have been extended by Legislature until 1 July 1974. Airport is certificated for summer air service.
Lebanon Airport - In 50-25/25 formula, the State appropriated its share of \$54,000 to rehabilitate main runway. Project delayed 1 1/2 years and finally accomplished through extraordinary financing wherein the New England Regional Commission (a federal agency to disburse limited federal funds on regional projects) provided \$40,000 of the Local share.

New Hampshire Airport System Plan, by A.D. Little, Inc. of Boston. No State funds appropriated for

PROJECT APPLICATIONS WITHHELD OR WITHDRAWN (*)

NEW HAMPSHIRE (continued):

this purpose, and chances of the State legislature coming up with its 1/3 share poor. The Study was funded entirely by the Federal Government: 2/3 FAA and 1/3 by New England Regional Commission (Cost: \$150,000.)

NEW JERSEY
Total: 10

"Ten airport projects cancelled because we had no matching funds."

NEW MEXICO
Total: 7

Three years ago FAA and airlines serving Santa Fe Airport indicated the need for a \$2.2 million runway reconstruction. Local money could not be raised--State legislature considered it a local matter.

"Last July both airlines suspended service because of poor runway conditions, and the airport is going to pot for lack of what is now estimated to be a \$3 million plus project."

Six additional projects have recently been completed only because the Four Corners Regional Commission provided financial aid. It appears now that the PCRC will soon be out of business.

NORTH CAROLINA
Total: 10

Asheville - Parallel runway and taxiways plus land. New Bern - Extend existing runway
Clinton - Extend runway and land Spruce Pine - Planning study and extend runway
Kinston - Land for ILS *Lumberton, N.C. - Overlay and extend
Long Beach - Pava existing runway *Sellsbury, N.C. - Overlay and extend
Monroe - Extend runway *Hanteo, N.C. - Overlay and extend

OKLAHOMA
Total: 11

Muscogee, Davis Field - Install VOR and NDB Seminole - Extend N/S runway
Lawton - Access road to airport Cage - Airport maintenance
Stigler - New airport El Reno - Construct parallel taxiway
Boise City - Airport maintenance Hugo - Overlay runway
Idabel - Repair runway and taxiway Grandfield - Overlay runway, taxiway, parking
Purcell - Extend end overlay runway ramp. Install rotating beacon and runway lights.

OREGON
Total: 13

Madras - Rehabilitate runway
Hood River - (They haven't funds to clean up last project 5-10 years ago.)

PROJECT APPLICATIONS WITHHELD OR WITHDRAWN (*)

OREGON (continued)

North Bend - Strengthen and lengthen runway
 Corvallis - Strengthen and lengthen runway
 Ashland - Strengthen pavement
 Newport - Overlay runways
 Vale - Construct new airport

Lakeview - Rehabilitate runway
 The Dalles - Overlay runway
 Prineville - Lengthen and strengthen runway
 Baker - Lengthen and strengthen runway
 Burns - Rehabilitate runway
 La Grande - Strengthen runway

SOUTH DAKOTA

Total: 15

Chamberlain	New B2 Runway Complex	Philip	New B1 Airport
Eagle Butte	New B2 Airport	Plankinton	New B1 Airport
Freeman	New B1 Airport	Platte	New B1 Airport
Ipswich	New B1 Airport	Presho	New B1 Airport
Kadoka	New B1 Airport	Northern Black Hills	New GU Regional Airport
McLaughlin	New B2 Runway	Vermillion	New GU Runway Complex
Martin	New B1 Airport	Winner	New B2 Runway Complex
Mobridge	Runway Overlay		

TEXAS

Total 44

The following locations had discussed the possibility of either building an airport or expanding an existing one but the project has not materialized because lack of local funds:

Angleton: Construct new airport to replace Lake Jackson trunk type airport privately owned which is to be abandoned.

Burnet: Expand existing runway 5000'

Carthage: Acquire additional land for building area expansion

PROJECT APPLICATIONS WITHHELD OR WITHDRAWN (*)

TEXAS (continued)

Center:	Construct new airport
Cleveland:	Acquire additional land and construct parallel taxiway
Del Rio:	Extend runway
Eagle Pass:	Replace existing airport
Edinburg:	Replace existing inadequate airport
Freer:	Pave runway on existing airport
Gonzales:	Reconstruct runway on existing airport
Hallettsville:	Extend runway beyond 2700'
Henderson:	Extend runway beyond existing 3000'
Huntsville:	Construct parallel taxiways and apron
Kirbyville:	Reconstruct existing runways
Kountze/Silabee:	Pave runway on existing turf field
LaGrange/Fayette Co:	Construct county airport
Lufkin/Nacogdoches:	Construct a regional airport
Luling:	Reconstruct existing runways
Port Mansfield:	Extend existing runway to 5000'
Seguin:	Approve existing airport
Uvalde:	Extend recently completed runway to 5000'
Bonham:	Extend existing 3000' runway
Bridgeport:	Improve existing airport
Comancho:	Extend existing 3200' runway

PROJECT APPLICATIONS WITHHELD OR WITHDRAWN (*)

TEXAS (continued)

Denton:	Extend runway to 6000'
Gladewater:	Construct paved runway 50' x 3200'
Greenville:	Construct additional apron and public facilities
Hillsboro:	Replace existing airport
Marshall:	Extend existing 3500' runway
Mexia:(Freestone)	Construct new airport
Olney:	Resurface runways
Ranger:	Construct new airport
Sulphur Springs:	Construct a new 17/35 runway
Terrell:	Reconstruct all runways and taxiways
Vernon:	Reconstruct existing runways
Weatherford:	Construct new airport
Clarendon:	Expand - acquire land for additional building area and crosswind runway
Marfa:	Reconstruct existing runways
Memphis:	Lengthen runway
Morton:	Lengthen runway
Paducah:	Construct additional parking apron and taxiways
Plainview:	Overlay runways
Post:	Overlay runways
Van Horn:	Overlay runways

PROJECT APPLICATIONS WITHHELD OR WITHDRAWN (*)

UTAH

Total: 20

Panguitch	Spanish Fork-Springville
Milford	Herricane
Delta	Salina-Gunnison
Green River	Blinding
St. George	Beaver
Kanab	Wayne Wonderland
Richfield	Manti-Ephraim
Heber	Vernal
Tremonton	Moab
Logan	Cedar City

"The Utah Legislature just passed a resolution requesting the trust fund monies be filtered back to the states."

WISCONSIN

Total: 26

Veroqua	Shavano
New London	New London
Medford	Mauston-New Lisbon
Menomonie	Rusk County
Tomahawk	Platteville
Neillsville	Shell Lake
East Troy	Green Bay- Brown County
Adams-Friendship	Cabla Union
Door County	Marshfield
Barrow	Thorp
Clintonville	Richland Center
Eagle River	Port Atkinson-Whalsweter
Merrill	

WYOMING

Total: 43

*Casper - \$2.5 million project withdrawn due to insufficient local funds. Threatened with loss of airline service because of poor runway conditions.

Cheyenne - Forced to cancel a \$1.6 million project: lengthening and strengthening of two principle runways--because local funds not available.

Worland - \$180,000 project held up. Under present ADAP formula, they cannot raise the local money.

PROJECT APPLICATIONS WITHHELD FOR WITHDRAWN (*)

WYOMING (continued)

Wyoming's nine air carrier airports all are holding back requests for aid for same reasons. The airports listed above are the largest now ready to go.

31 General aviation airports are awaiting relief in the ADAP formula to proceed with projects totaling \$500,000.

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Mr. SHOUP. In your suggestion for a special revenue sharing of, I think you say, 10 percent, I am wondering about the legality of taking funds raised from interstate commerce, taxation on interstate commerce, to be used in other than interstate uses. Would you care to comment on that?

Mr. NAMMACK. I could only say at this point, sir, that our attorneys have looked at this proposal from every possible aspect. We did not intend to come down here and place ourselves in an awkward position on this thing, believe me. We have studied this for a long time and attorneys who have looked at this don't feel that there is that difficulty whatsoever.

Amendments would be required to the Airport and Airway Development Act; there is no question about that.

Mr. SHOUP. Constitutionally, you do not think there would be a bar to using these funds for intrastate use?

Mr. NAMMACK. No, sir; I don't. And, you know, it might be worth noting at this point that at this very time the Federal Aviation Administration is diligently studying just which of its responsibilities it can quickly transfer back to the States. We are in discussions with them right now on this point; the reason being they have not suddenly become magnanimous to the States—oh, no—but they have suddenly realized they are not going to have the resources to handle all of their responsibilities themselves.

Their first proposal will involve general aviation airports, that section of the ADAP program. They are going to get onto other matters, possibly elements of the certification program, safety enforcement—there is a long list.

Mr. DINGELL. Mr. Chairman, if the gentleman will yield. We have not been informed of this going on inside FAA. May I make inquiry as to precisely what is going on down there in terms of transferring present Federal responsibility to States?

Mr. NAMMACK. I know why you haven't heard about it, sir. It has been kept strictly internal. We have large ears.

Mr. DINGELL. You have done us several services this morning. I would like to know what they are up to down there.

Mr. SHOUP. I think your last statement is probably correct, that none of us really know what they are up to. I think we will have to wait to see on that.

But am I correct: Did you say they are contemplating shifting to the States responsibilities which currently they have for the use of ADAP funds?

Mr. NAMMACK. They are recommending to you gentlemen that they be permitted to do that.

Mr. SHOUP. Mr. Dingell, I think that is a little different angle. Then they are going to recommend to us. They are not just going to do this out of a clear sky.

Mr. DINGELL. Would the gentleman yield?

My concern is that this study has a direct relationship to the matters before us. In other words, here we are considering the trust fund and trust fund expenditures, alternative financing measures through the local units of government, change in the Federal financing formula.

The Federal Government is out claiming its inability to meet its responsibilities without using a portion of the trust fund money; and now we find they are preparing to cede a measure of their present responsibility to the State; and this troubles me because this, as I see it, is a whole package.

Mr. SHOUP. My alarm was that I thought I heard him say they were preparing to do this on their own, without guidance or permission from us.

Mr. DIXON. For the record, would you tell us what people you are talking about in either DOT or FAA that I will know which door to knock on first?

Mr. NAMMACK. Can I tell you privately? Only because the man has asked that it be that way for the time being.

Mr. DINGELL. Mr. Chairman, if my friend will yield, I think the inquiry should be directed to the Administrator of the FAA or DOT. I am not altogether sure who runs that place down there these days.

Mr. NAMMACK. At the moment, sir, if you directed the question to the new Administrator I am afraid you would draw a blank, because he has not had time to find out about this.

Mr. DINGELL. I am sure he would make an effort to, if we were to solicit it.

Mr. SHOUP. For the third time I will ask the same question, although I don't think you've got the answer. One, you stated that to your knowledge there is no State contemplating the imposition of head tax.

Mr. NAMMACK. Yes, sir.

Mr. SHOUP. How about local communities? I think that the number of head taxes that are presently being imposed are not by States but are by local communities and I think we must address ourselves to that, not to the State.

Mr. NAMMACK. Sir, you are exactly right on that point.

Mr. SHOUP. You referred to Detroit, are other local communities contemplating the imposition of a head tax?

Mr. NAMMACK. It may well be. I suspect there are other cities right now contemplating a head tax. But no State is.

Mr. SHOUP. I have no further questions, Mr. Chairman.

Mr. JARMAN. Mr. Adams?

Mr. ADAMS. Thank you.

Following up on the question asked by Mr. Dixon, I thought your testimony said, or that you indicated in your testimony that the FAA or some other branch of the Federal Government was going to change a series of taxes and they would be effective as of July 1 of this year. Is that correct?

Mr. NAMMACK. They are called the administrator user charges, Mr. Adams.

Mr. ADAMS. And they are going to increase those; is that right?

Mr. NAMMACK. That is right; they are going to haul out and dust off a 1967 notice of proposed rulemaking and put it into effect, beginning July 1.

Mr. ADAMS. Well, now, it is my understanding under that, that if they want to do that kind of thing they have to proceed under the Administrative Procedure Act. You indicate they are not going to do it; they are just going to raise them. Is that right?

Mr. NAMMACK. The Administrative Procedures Act, but aside from the formality of putting out a notice of proposed rulemaking, giving everybody 30 days to comment, I don't believe that they have to come before this group, for example, your committee, and ask for permission. I think they can do it within the administration themselves.

Mr. ADAMS. What kind of increases would this involve? If we are talking about head taxes, and we already have a user tax on, can you give me any idea of the percentage or general amount that is involved in this proposal?

Mr. NAMMACK. Sir, I have been given one unofficial glimpse of the new schedule of charges. I am sure if you were to ask for it today you would get it hand carried over here by this afternoon. It is available in the FAA now.

Mr. ADAMS. Maybe we can get that today.

[The following comment from DOT was subsequently submitted for the record by the committee staff:]

COMMENT BY FEDERAL AVIATION ADMINISTRATION ON ADMINISTRATIVE USER CHARGES

The above colloquy refers to a revised schedule of administrative user charges which will be proposed by FAA in due course. A notice of proposed rule making will appear in the Federal Register at such time as internal development of the revised schedule is completed—probably by mid-April. FAA is not now in a position to provide said schedule.

Mr. ADAMS. You have already answered my question as to Mr. Dingell's testimony about the fact that there are a number of proposals that have not been made, and that the testimony we have received that everything was going along fine it not quite true.

I want to know whether it is your opinion that as a matter of policy, if not constitutionally, as mentioned by Mr. Shoup—how far the Federal Government ought to go in sharing expenses or paying costs for what are essentially local airports—by that I mean intrastate or feeder airports—when we apparently are not meeting the needs of those that form a part of the national system to which these feed in?

Mr. NAMMACK. I suppose, sir, that we get into the area of philosophy here, and without wasting a lot of your time, the point you make about these smaller airports being purely of local interest is something that I question frankly. What is the national interest but a combination of many individual local interests.

And without wasting a lot of your time, there is the point you make about these smaller airports being matters of purely local interest. These smaller airports. That I question, frankly. What is the national interest but a mosaic or a combination of individual State interests and local interests? Is it a separate thing or is it not the combination, the collective interest of the individual States and local communities?

Mr. ADAMS. What I am questioning is that if we do not have adequate money to cover what we are doing now, how far should the Federal Government go in terms of providing what I believe you mentioned was a backbone system or a series of points to which all of these local areas could move for plugging in or tying into a national system of airports.

Mr. NAMMACK. I would like to partially answer that in this way, sir. I didn't mention it before, but it is a matter of record: that the States now provide assistance to all categories of airports, not just to the small local airports.

While most of their projects that they have invested in each year are local small airports, the bulk of their money goes into air carrier-served airports.

One of the interesting little anachronisms, but it is a fact. Michigan, for example. Out of a \$4 million budget—State funds, now, Mr. Dingell—last year they invested in about 60 airports in the State. But most of their money went to two air carrier-served airports in Michigan.

In other words, what they invest in the smaller airports is usually a small sum because the needs aren't that great when you are comparing it with the air carrier airports. So, most of the projects are the small airports you are talking about, most of the money goes to the air carrier airports. This is not true in every State, no; but it is true in Mr. Dingell's State.

Mr. ADAMS. Thank you, Mr. Chairman. I have no further questions.

Mr. JARMAN. Did Mr. Clark have anything to add to your testimony?

Mr. NAMMACK. No, I don't believe so.

Mr. JARMAN. Gentlemen, we appreciate very much your appearing.

The subcommittee will stand adjourned until 10 o'clock on Tuesday of next week, at which time the subcommittee hopes to conclude the hearings on these bills.

[Whereupon, at 12:15 p.m. the subcommittee adjourned to reconvene on Tuesday, March 27, 1973 at 10 a.m.]

Mr. METCALFE. Without objection, they will be so stipulated and entered into the record. [See p. 294, and p. 302, respectively.]

Mr. BOYD. Congressman Andrews, our Congressman, was planning to be here with me but he has a conflict in his scheduling today. You gentlemen can understand. He has to be in the District but he did have some questions he was going to put to me and I would just like to comment on those three or four questions.

The questions that he would ask concern the importance of the smaller to medium hub airports, in particular, retaining the prerogative to make reasonable charges on passengers using the airport; these funds to be specifically directed to airport use and airport use only.

The airports have been caught in the cost of normal growth improvements, the cost of certification requirements that would bring about safer airports and the cost of maintaining security.

We have had some experience with both certification costs and security costs, and we are still not real sure just what the full extent is going to be. We have tripled our security force, and we believe that we are going to have to turn it into a safety officer force, both for fire-crash rescue and security, and at least double it, in order to meet the requirements.

We are trying vigorously to do this by double utilization of personnel.

The cost of one piece of crash equipment, in which we have a project under the airport development aid program, is \$146,000. And it will cost just about that much a year to man it—the span of time that we have to operate.

In the smaller airports, New Bern, N.C., for example, provides service on segment 8, the north-south segment of Piedmont, and it is intersected by segment 1 from Raleigh-Durham to the coast, providing service to Cherry Point.

New Bern has already stated publicly and it has been carried in the press, that they are seeking some method to carry service into their community by arrangement over at the Cherry Point Military Base to get air carrier service with Piedmont. This has not been finalized but I know personally that this small community that needs service in its community, is one of the small cities that is facing the loss of its ability to support the airport to provide service to the community.

Fayetteville, N.C., is another, in somewhat better shape, but the city of Fayetteville alone provides an airport for Pope Field personnel, Fort Bragg, the large hospital.

In fact, gentlemen, eastern North Carolina is maintained by the Defense Department as practically an armed camp; and these airline service airports have to be provided by the citizens of an area that is not renowned for its wealth and ability to raise large sums of money.

Congressman Ike Andrews was going to ask me to touch on how the airports got themselves into what you might call the economic box that they are in now.

In 1928 I worked briefly for the old Pennsylvania Keystone Airline, operating between Washington and Norfolk, Va. The city of Norfolk was the beneficiary of East Camp, a World War I drill field, a turf field on which the old Stout trimotors could operate. It didn't cost them a penny.

Then, at the end of World War II, most communities received airports. The wheel-loading capability was adequate for DC-3's and Martin 404's, and the Convairs, and even the DC-4's that were prevalent, and the old Lockheed Lode Stars that were being used.

As we moved into constellations and other types of aircraft, into DC-7's, they had to strengthen these runways a little bit, but it wasn't ruinous on local money; and under the old Federal airport aid program there was some matching money. But we still, by today's standards, were not talking about large sums of money.

The airlines, in negotiating with the airports, had expert young men and I want to make it plain I am not speaking against the airlines. I think they are entitled to recover every penny of costs that they have been put to in trying to make air commerce safer. I think airports are, too. But the airlines, quite understandably, in negotiating contracts, many of which are still in effect, and with plenty of time yet to run, pointed out that. "Gee, this runway was given you by the Federal Government. Certainly you are not going to include in your use charges to us an amortization of that pavement that is already in place?"

Well, about 1965 this pavement ran out of time when the jets began to break up runways and terrible costs began to be imposed on communities; and many communities have not yet recovered from the costs they made at that time.

Now, today we have certification. We have security costs and we have yet heavier aircraft that will be using our airports. And the cost is tremendous.

We operate one runway, as I pointed out in my testimony. If anything happens on that runway, eastern north, North Carolina is without trunkline air carrier service until it can be repaired. And if it is a base failure, that is: Failure on the runway from the bottom up, due to heavy aircraft, it means the whole center of that runway is going to have to be ripped out and rebuilt, to make it safe; and it means, where we might be able to do it on paper, in 4 months, we find it takes 12 months to do 4 months' work on an airport. Because the minute you get it ripped up, it starts raining and by the time you get it dried out and are ready to go back to work it starts raining again, and you have a mess.

So we are really in a terrible situation. One other question I had been asked was: What is the impact that these particular security requirements have had on our airport and needs from the Congress, besides money? I would like to comment on that and I will conclude.

We certainly set up certain security areas at the direction of the Federal Aviation Association, following Secretary Volpe's ultimatum on the subject. They told us where to build walls, where we might put doors. That we had to isolate the baggage makeup area and the concourses.

We went right by the letter of what FAA requested and recommended. Now, we had forceful and instructive entry made into one of these security areas.

So, I called the U.S. attorney, with whom we have a very cordial working relationship, trying to make things work, and asked him: What Federal law has been violated? He could not point to any.

I called FAA in Atlanta and asked them the same question, after describing the circumstances: What Federal law has been violated? They could not name any.

So, who is our FAA southern region legal officer, advised that public property had been damaged and we should prosecute on that basis.

Gentlemen, this makes a mockery of trying to attach the appropriate seriousness to safety of air travel. Why, if this was true, a man could knock doors down into a security concourse and through a boarding gate and enter an airplane. You would have to prove that he intended to hijack the airplane, apparently, before you could charge him with anything except misconduct.

So, I do believe that there is a need for the Congress to take a good look at backing us airport managers up with some hardnosed Federal legislation to make work what we have diligently dug into.

In summary, we ask you gentlemen, please, to give an awful lot of consideration to the need of local money. Our airport serves 52 counties in North Carolina with trunkline service, and has to be supported by the people of two counties. The only way that people in the surrounding counties can be brought into the financial support of that airport on the local money basis is through some type of reasonable passenger-use charge. And this charge should be restricted to what is actually needed.

It might be different at every airport and some machinery might be put up, as in the case of the CAB regulating air carrier fares, to make sure that this is true, and it is carried out that way and it does not exceed an actual and reasonable need.

That concludes all I have to say. If there is any question I will do my best to answer it.

[Testimony resumes on p. 305.]

[The prepared statements of the Raleigh-Durham Airport Authority, the Southeastern Airport Managers Association, and the Fayetteville Airport Commission follow:]

STATEMENT OF HENRY E. BOYD, JR., AIRPORT MANAGER OF THE
RALEIGH-DURHAM AIRPORT AUTHORITY

Mr. Chairman, I am Henry E. Boyd, Jr., Manager at the Raleigh-Durham Airport in North Carolina. The Raleigh-Durham Airport Authority appreciates the opportunity to present its views opposing the various bills being considered by your Subcommittee to the extent they would prohibit the Authority from assessing a head tax or other airport user charge.

The exhibits prepared and submitted for your consideration contain information regarding the operations of the Raleigh-Durham Airport, the scope of its service area and the implications that the action you take will have on the functions of the airport in connection with the pending legislation. Our data is designed to show the area of our responsibility, the economic, population and its other basic characteristics, the type of plant and equipment the Authority operates in carrying out its service obligations, information on airport income and expenses, a projection of necessary facilities which must be required and/or constructed by the Authority in the immediate future, and the manner in which these financial obligations will be met both on short-term and a long-term basis.

The airport operation and its maintenance is an essential requirement so that the traveling public and our local users in the Raleigh-Durham area can get to and from the air carrier facilities, the seats which provide them with their air transportation needs. The Authority is locally run, it serves not only an area of local responsibility, but the Eastern half of North Carolina, it is locally owned and the cost of operation and maintenance requires very substantial amounts of local money. The addition of Airport Certification and anti-hijacking security arrangements have tremendously increased this demand for local money.

Major maintenance not eligible for ADAP money is also an increasing factor due to heavier aircraft being introduced by the air carriers.

In the view of the Airport Authority which is composed of experienced and competent business and professional men, leaders in the Cities of Raleigh and Durham and in the Counties of Durham and Wake, the airport users have the logical and reasonable requirement to provide locally required funds directly to the airport. In this connection, the people of Wake and Durham Counties cannot independently tax or otherwise obtain local money support from the people outside their political jurisdiction in counties directly in the airport's service trade area except through the use of the airport passenger use charge. The use charge applies fairly and evenly to the individuals actually making use of these necessary facilities and is an appropriate and even means of spreading the cost burden much in the same fashion that Federal airport and airways user charges have been assessed where national transportation requirements are involved.

The application of an airport passenger use charge should also be compared with the air carriers assessing by way of Civil Aeronautics Board approved tariff increases, charges directly from individual passengers to cover the *air carriers* estimated additional cost of security. Such additional charges have been permitted under the provisions of Section 403 of the Federal Aviation Act and Part 221 of the Board's Economic Regulations and have been specifically sanctioned by the Board, putting another third of a dollar in the airlines' till, while at the same time the CAB and the airlines both contemporaneously and vigorously attempt to persuade Congress that it is somehow wrong for airport sponsors to assess a use charge for considerably greater obligations imposed by the Congress upon the airports. In the latter regard, I refer as examples to the certification and security requirements.

While additional charges as high as \$.32 per passenger have already been allowed by the Board *without regard to trip length*, there is no assurance that the airports who have already experienced significant cost requirements as a result of security programs will share in the CAB's largesse. Airports have in most cases contracts with air carriers that do not necessarily contain provisions for the reopening and re-negotiation by way of supplemental agreements for the carriers to pay the airports sponsor more money under changed circumstances. Raleigh-Durham, for example, has not been reimbursed by the air carriers for the construction of isolation passenger boarding concourses or the provision of experienced and qualified officers. However, Raleigh-Durham was given a three-way choice by the Federal Aviation Administration:

1. Isolate the concourses for single point security check;
2. Place an armed, qualified and experienced guard at each of the several gates; or
3. Face the prospect of a fine of \$1,000 per flight that the carriers cleared without a guard.

Under these circumstances, the Authority is, of course, very appreciative of the cooperation of the air carriers in their willingness to use a single checkpoint.

However, all cost for construction and experienced security guards has been borne totally by the airport as its added cost. Fees, rentals and other charges regulated by contractual arrangement have not been changed on an *ad hoc* basis because of the construction and operating cost borne by the Authority.

The Raleigh-Durham Airport Authority believes that the charging of a reasonable Airport Passenger Use Charge, consistent with the decision of the United States Supreme Court (April 19, 1972), is completely in keeping with the Airport and Airway Development Act passed by Congress in 1970, which provides as a "condition precedent to approval of an airport development project" the Secretary of the Department of Transportation must determine that the "airport operator or owner will maintain a fee and rental structure for facilities and services being provided the airport users which will make the airport as self-sustaining as possible under the circumstances existing at that particular airport, taking into account such factors as the volume of traffic and economy of collection."

Therefore, the Congress is respectfully requested to be attentive to the problems associated with the maintaining, operating and necessary expansion of the small and medium hub airports and the fact that the respective sponsors of these airports are so burdened already that they simply have been unable to articulate their local money problems to the Congress. These small airports

comprise about 90 percent of the nation's air transportation system, but as in the case of Raleigh-Durham, are used by surrounding areas that have no financial obligation on state or local level, except where a passenger use charge is made.

Should the Congress make the collection of local use charges from passengers unlawful, it would, we fear, establish an alarming and dangerous precedent. The Raleigh-Durham Airport, serving an area of some 2.5 million people would find it extremely difficult, if not altogether impossible, to undertake an expansion program to build this ONE-RUNWAY (for air carrier use) airport into a safe and adequate facility to accommodate larger and heavier aircraft.

The Bills being considered by the Congress to increase the percentage of Airport Development Aid Program money to local money do not solve the local money problem. The right of the several sponsors of the smaller airports constituting 90 percent of our National Air Transportation facilities to make reasonable airport passenger use charges can solve the local matching money problem to provide for urgently needed construction and improvements necessary for upgrading the operational safety in our nation's airport system.

THE RALEIGH-DURHAM AIRPORT

Location

The Cities of Raleigh and Durham are 23 miles apart and the airport is equidistant from the two cities. The airport is one mile off four-lane U.S. 70 and adjacent to Interstate 40, a four-lane expressway and a part of the Federal Interstate Highway System connecting U.S. Interstate 85 at Durham, through the Research Triangle Park, past the airport to the Raleigh Beltline and on to U.S. Interstate 95 at Smithfield. Chapel Hill is 18 miles from the airport and connected by Rt. 54 at the Research Triangle Park. A new terminal area in the Raleigh-Durham Airport, as well as an executive and corporate terminal will be serviced, each by two interchanges connecting a cross service highway with this expressway.

Traffic growth

The airport, as the principal trunkline service point for the entire eastern half of North Carolina, has been experiencing substantial average annual growth which for the five years ended June 30, 1971 amounted to 14.1% per year. This rate is the second fastest among the 50 largest traffic points in the United States based on information in the Civil Aeronautics Board's surveys of airline domestic passenger traffic. Raleigh-Durham is currently handling 1.4 million passenger movements per year. Enplanements represent approximately half that amount or 700 annual boarding passengers.

Raleigh-Durham airport geographic area

The airport provides the only trunkline service in the eastern half of the State and has a total trade area of some 52 counties throughout the eastern, Piedmont and Coastal Plain areas of North Carolina. Parts of southern Virginia and northern South Carolina are also served through Raleigh-Durham. These areas have a population of over 2.5 million, more than 1.4 million of whom live in the immediate and primary trade area surrounding the airport.

Research triangle area

This service area consists of Durham, Wake and Orange Counties. Durham and Wake Counties are both standard metropolitan statistical areas (U.S. Bureau of Census Definition), and Orange County would undoubtedly feel more and more the spread of metropolitan characteristics. The Research Triangle Area has experienced a constant growth in population. The Research Triangle Regional Planning Commission estimates that the population of the three-county area may increase to 521,000 by 1980, or an increase of 26.2% over 1970 population of 411,700. There is a strong probability and increasing conviction that these figures are low.

Primary trade area

The Primary Trade Area consisting of three counties, Durham, Wake and Orange has a population of some 425,000, with a projected increase to 510,000 by 1980, and in excess of 600,000 by 1990.

Secondary trade area

The secondary trade area consists of 24 counties. This group, which has had principally rural economy in the past, has accelerated and developed recently with the growth of research, industrial activity and related cultural and educational activities. Approximately 200 new manufacturing firms have been established in this area in the last eight years alone. The group of counties has a current population of 1,340,000 which will increase to nearly 1.6 million by the end of the decade.

Outer trade area

The outer trade area consists of 25 counties mostly east and south of the Raleigh-Durham Airport. The only other available air service at commercial airports is of a limited local service nature. The excellent North Carolina highway system makes it reasonably convenient for people and businesses located in the communities of the outer trade area to take advantage of the trunkline air carrier service offered at the Raleigh-Durham Airport.

THE AIRPORT AUTHORITY

The "Raleigh-Durham Airport Authority" was created by the General Assembly of the State of North Carolina (Chapter 168, Public-Local Laws, 1939 Session of the General Assembly in Acts amendatory thereof). The Authority consists of eight members with each local Government, the cities of Raleigh and Durham and the counties of Wake and Durham, being represented by two members appointed biannually. The Raleigh-Durham Airport facility itself is actually owned by the local Governments and operated under the direction of the Authority. Thus, the Authority is clothed with virtually all powers essential to the establishment and functioning of the airport including management, regulation, contracting, constructing, controlling, maintaining, improving and leasing property with necessary related fiscal authority. It has the power to acquire new property, but since it does not own the property, does not have the power to convey title to the real property of the airport.

Staff

The Airport Authority's experienced administrative staff has been selected for professional competence and capability. Training programs such as the airport management intern program conducted for the past several years have resulted in the placement of professionally qualified managers trained at Raleigh-Durham in responsible aviation positions in several other communities. The professional staff provides the day-to-day administration, engineering guidance, fire/crash/rescue and other Airport Certification requirements, overseeing the airport and anti-hijacking security, the supervision of all maintenance—runways, taxiways, lighting systems, etc. at the airport, as well as the operation of waste treatment and other support facilities equivalent to those required by a small city, including the maintenance of a water system. Coordination with the Federal Aviation Administration is on a continuing basis as it is with other important Federal agencies such as HEW, the Civil Aeronautics Board, Environmental Protection Agency and the Department of Interior. We note the foregoing responsibilities in areas of local administration since they all represent the necessary expenditures of time and effort in fulfilling the local airport's responsibilities and, of course, involve a significant amount of locally funded out-of-pocket dollar expenses.

FACILITIES

Raleigh-Durham is equipped with navigational aids including VOR-VHF; omni-directional radio range; TACAN-UHF; Tactical Air Navigational Aid; Beacon-Homer non-directional Radio Beacon; RADAR-ASR-7/ARTS III Radar; DF-VHF/UHF Direction Finder; ILS, Instrument Landing System with all components; RVR, Runway Visual Range; High Intensity Runway Lighting; High Intensity Approach Light and Sequence Flashers; and Airport Rotating Beacon. VAS, Landing and Takeoff Minimums are 200 feet ceiling and half mile visibility.

Operating conditions

Weather is generally good in the Raleigh-Durham area as shown by the high percentage of flight schedule fulfillments. According to the Raleigh-Durham Federal Aviation Administration Approach Control, actual instrument approaches at Raleigh-Durham constitutes about 3.5%. There is no undue traffic congestion at Raleigh-Durham and additional schedules by the air carriers can be handled expeditiously and effectively provided terminal and runway improvements are constructed. The length of the main runway is 7,500 feet and property is being acquired that will accommodate the construction of an additional 10,000-foot runway, which will be perpendicular to the existing instrument runway and be sufficiently removed therefrom to accommodate simultaneous instrument traffic. The design strength of the new runway will contemplate extremely heavy and large aircraft operations in the near future. A crosswind runway will be rebuilt, strengthened and extended to 6,500 feet and a new taxiway system will connect the new runway system and also provide ingress taxiways to the urgently needed new air carrier terminal apron.

Raleigh-Durham is one of the few airports in the country complying with the Doolittle Zone requirements. The airport not only owns the necessary land—one-half mile from the end of each runway, but has cleared these areas on both ends of the instrument runway, and the supplemental or cross-wind runway. All clearing is to instrument runway standards, providing glide ratios of 50:1 or better. These standards will be maintained in new construction. Raleigh-Durham is located on one of the highest plateaus in the Raleigh-Durham area and is adjoined on the east and southeast by Umstead State Park in which the Department of Interior has a substantial interest. There are no obstructions to air navigation in the airport area. The Raleigh-Durham Airport Authority Approach Zoning Ordinance was adopted on September 3, 1957, under authority of the North Carolina Model Airport Zoning Act of 1941. This Act protects airport approaches in all directions within ten miles. Wake County adopted a Land Use Zoning Ordinance containing provisions for Airport Districts for Noise Abatement, in 1962, and has amended this Ordinance in 1972 to protect new and extended runways. This has made for better community-airport compatibility and has already considerably influenced development of the use of adjacent properties, particularly with respect to expansion of jet operations at the airport.

REQUIRED AIRPORT IMPROVEMENTS

The Raleigh-Durham Airport contemplates the construction of an instrument runway to 10,000 feet in length and perpendicular to a projection of the new centerline of the existing 7,500 foot runway, rebuild and extend an existing runway 4,500 feet in length to 6,500 feet, strengthen and upgrade a 7,500 foot runway, a taxiway system to facilitate use of runways and aprons, a completely new air passenger terminal area, including air carrier parking apron, water and waste disposal systems, new service roads for ingress and egress to the new terminal and the purchase of 2,000 acres of additional land, all for a total anticipated expenditure in excess of seventy million dollars.¹ The existing terminal will be developed into a completely self-supporting corporate and general aviation center.

Financing.—It is anticipated that the proposed necessary improvements will be financed as follows:

- (1) Revenue Bonds supported by:
 - (a) Passenger Airport Use Fees.
 - (b) Aircraft Landing Fees.
 - (c) Fixed Base Operation Revenues.

To be used for:

- (a) Land Acquisition.
- (b) Runway Requirements.
- (c) Taxiway Requirements.
- (d) Aircraft Parking Apron Requirements.
- (2) Revenue Bonds Supported By:
 - (a) Terminal Building.—1.—Fixed Rentals.—2.—Percentage Rentals.
 - (b) Terminal Area.—1.—Fixed and Guaranteed Minimum Rentals.—2.—Percentage Rentals.
 - (c) Warehouse and other Building Rentals.

¹ See attached summary.

The Durham and Wake County Commissioners have resolved their support to State Legislation that would provide for a referendum to pledge the faith and credit of the two counties to support Airport Revenue Bonds, to make these bonds more marketable and at a lower rate of interest.

An Alternate of Financing might be an Airport Development Aid Program participation of 80% and Sponsor participation of 20%; and increase the Federal tax on air passenger tickets from 8% to 10%, and return 40% of this tax directly and expeditiously to the sponsor of the airport from which it is collected, restricting the use of this money to capital improvements or major air field maintenance requirements.

This might be in lieu of the "head tax" and would be used at the sole prerogative of the sponsor, with Federal monitoring of compliance of use ONLY.

RALEIGH-DUBHAM AIRPORT AUTHORITY,
February 20, 1973.

CONGRESSMAN,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN: The Raleigh-Durham Airport provides for trunk line service to the entire Eastern half of North Carolina and the Authority operating this airport has requested me to call to your attention several very important matters affecting the future of this operation and request your vigorous assistance.

1.—The Air Transport Association represents the airlines exclusively and very effectively lobbies for matters exclusively of airline interest. The large number of people that you represent have a real stake in matters pertaining to the financing of airports in North Carolina. Please remember that their views are not represented by ATA in any way whatsoever.

2.—Senate Bill S. 38, already passed in Senate, would provide for a larger percentage of Federal Aid for eligible items in airport construction and certification, but would take away from the local governments the prerogative of making a reasonable use charge on passengers passing through the airport in order to provide local money to match Federal money, or to pay the total cost of items that are not eligible under the Federal Program. It is the belief of the Raleigh-Durham Airport Authority that the Congress should remove from this Legislation any charges within bounds established by the Supreme Court in the Evansville-New Hampshire/Airlines Decision of April 19, 1972, and that full public hearings should be insisted upon.

3.—Senate Bill S. 39 would provide for Federal Officers to enforce anti-hijacking procedures in the concourse and departure rooms of local airports, or make available funds to reimburse local governments for providing local officers. The Raleigh-Durham Airport Authority strongly favors the retention of its prerogative to charge a reasonable passenger airport use fee and if allowed to do so, is quite willing to provide its own police officers without Federal assistance.

We are very much concerned that the passage of S. 38 may result in removal of local authority to make reasonable charges for use of the airport facility by passengers on the one hand, and very probably result in no additional money being made available by the Federal Government, on the other, even if the local community can provide matching funds. The President has demonstrated his determination to effectively withhold funds and has even vetoed a Bill similar to S. 38, that called for considerably less money, when presented by the last Congress.

It is of utmost importance to this community, and we feel sure many others, that the local prerogative to make reasonable charges be upheld by the Congress. Please communicate this to the Honorable Harley O. Staggers, Chairman of the House Aviation Sub-committee and request full public hearing on House Bills relative to S. 39 and S. 38.

Very truly yours,

R. DILLARD TEER, *Chairman.*

* * *

STATEMENT OF REVENUE AND EXPENSE—RALEIGH-DURHAM AIRPORT AUTHORITY

	Actual (from audited financial statements, fiscal year ended Mar. 31)										Projected calendar year ¹		
	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975		
Passenger movements.....	479,162	542,138	701,138	867,495	944,101	963,987	983,683	1,069,201	1,423,400	1,594,000	1,777,500		
Operating revenue:													
Landing fees.....	\$101,716	\$98,942	\$86,270	\$121,684	\$175,647	\$185,400	\$227,589	\$244,164	\$291,400	\$326,300	\$363,900		
Service agreements.....	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800		
Fixed base fees.....	89,289	107,133	147,168	165,535	207,365	221,999	209,931	203,689	295,800	320,300	341,800		
Sales and services, net.....	21,506	22,659	21,134	25,273	27,978	27,972	40,235	54,531	47,400	51,300	55,200		
Fixed base rentals.....													
Buildings and grounds.....	45,061	45,120	45,119	43,915	51,792	69,956	76,645	79,614	77,000	12,000	12,000		
Present terminal.....													
New terminal.....													
Other than terminal.....	33,445	19,669	25,914	32,883	32,468	39,627	43,723	56,419	48,400	619,800	668,200		
Percentage rentals.....	132,695	183,457	227,241	315,283	405,054	539,875	569,222	636,841	797,100	892,600	995,400		
Miscellaneous services.....	26,260	3,478	11,533	13,445	18,563	22,952	11,647	9,490	10,000	10,000	10,000		
Interest earned.....	444,772	491,258	569,179	721,808	923,667	1,112,581	1,183,792	1,289,547	1,571,900	2,289,500	2,507,700		
Subtotal.....	7,818	16,098	23,084	11,386	31,843	37,497	48,625	32,224	40,000	35,000	45,000		
Total revenue.....	432,590	507,356	594,263	773,194	955,510	1,150,078	1,232,617	1,321,772	1,611,900	2,334,500	2,552,700		
Operating expenses.....	194,279	222,221	238,320	289,246	313,299	331,047	386,679	417,137	496,900	662,100	707,800		
Per passenger movement.....	258,311	285,135	355,943	443,948	642,211	819,031	845,848	904,635	1,115,000	1,672,400	1,844,900		
Net revenue before depreciation and interest.....	.54	.53	.51	.51	.68	.85	.86	.85	.78	1.05	1.04		
Per passenger movement.....													

¹ Ernst & Ernst projections made in 1970.

THE NEWS AND OBSERVER—THE RALEIGH TIMES,
Raleigh, N.C., March 12, 1973.

Mr. ROBERT D. TIMM,
Chairman, Civil Aeronautics Board,
Universal Building,
Washington, D.C.

DEAR MR. TIMM: My good friend and former newspaper colleague, Paul Ignatius, president of the Air Transportation Association presents strong arguments against a local head tax to be collected by local operators.

The Raleigh-Durham Airport Authority was one of the earlier airports to institute \$2.00 boarding charge. We did this to raise the necessary capital to buy land and build a new runway. We feel that part of this revenue should also be used to pay for airport security as well.

Mr. Ignatius, in his March 7th publicity release, says that the security should be by federal officers. You will notice that he proposed to pay for this increased cost by increased fares. Supposedly, the airport operators should then negotiate with the airlines to recover their costs.

The whole proposition is a good business move by the airlines to control the money coming in and naturally keeping a little of it for themselves by negotiating favorable arrangements with each airport operator.

The airlines oppose the boarding tax strictly on a business basis which is right and proper. The airport operators support it for a similar reason. The traveling public will be better served if the airports have capital with which to improve their facilities. Capital which does not come from airlines through landing fee negotiation.

As a local airport authority we don't have the facilities to protest the efforts of the Air Transportation Association but I do wish you would look at the question of head tax, security, fare costs, need to achieve money on a local basis and the effects on the part of the airlines to get a hidden rate increase.

Increased fares by airlines followed by protracted negotiations between local airport operators and big airlines for higher landing fees is not the best way to build better airports.

Leave some area for securing money from the traveling public for the local operator—limit the amount and the way it can be used by law but don't eliminate it.

Sincerely,

FRANK DANIELS, Jr.,
Raleigh-Durham Airport Authority.

* * *

[Press release, March 7]

AIRLINES URGES FEDERAL SECURITY FORCE AT AIRPORTS

WASHINGTON, D.C., March 7.—The U.S. scheduled airlines urged today that Congress pass legislation with strong anti-hijacking provisions, including the establishment of a federal force of security guards at airport boarding gates.

Paul R. Ignatius, president of the Air Transport Association testifying before the Transportation and Aeronautics Subcommittee of the House Interstate and Foreign Commerce Committee, said that the airport security force, which is now the responsibility of local jurisdictions, should be composed of federal officers because:

Hijacking interferes with interstate and foreign commerce and can affect national security and international relations.

Hijacking is a federal crime and enforcement is a federal responsibility.

A federal force would assure uniformity and responsiveness in hijacking enforcement.

In a number of state and local jurisdictions, police have no authority to enforce federal law.

Dissemination of intelligence would be more effective with a federal, centrally-controlled force.

The airline spokesman also said that a strong anti-hijacking bill should provide for statutory implementation of the Hague Convention which obligates signatory nations to either extradite or prosecute hijackers. In addition, he said that the bill should give authority to the President to suspend air service to nations which harbor hijackers.

Ignatius said that the total annual cost of carrying out present anti-hijacking regulations is estimated at about \$133 million—\$56 million for the airlines and \$57 million for the airport operators, plus another \$20-40 million of other costs such as flight delays, maintenance of equipment and airport modifications.

In order to recover these costs, Ignatius said, a number of the domestic airlines have asked the Civil Aeronautics Board for a fare increase which would cover the additional costs. However, the CAB has not authorized any increases to date.

* * *

CIVIL AERONAUTICS BOARD,
Washington, D.C., January 3, 1973.

The Civil Aeronautics Board has denied the request of Braniff Airways and other domestic air carriers for special tariff permission to increase all domestic fares by one dollar, including tax, on one day's notice effective January 5, 1973.

The carriers allege the increase is needed to offset the costs of antibijacking security measures which the Federal Aviation Administration has directed on a emergency basis effective January 5.

The Board said it is not prepared to permit such increases on less than 30 days statutory notice without a full opportunity to consider the views of all carriers and the comments of any other interested persons.

In that connection, the Board noted that Braniff and Eastern Air Lines have filed formal petitions seeking fare increases premised on security measure costs. Because other carriers and interested persons can be expected to submit similar petitions or supporting filings, the Board established January 19 as the date when such filings are due and February 2 as the date for answers to such filings.

The Board emphasized the need for all carriers to include fully documented data in their filings.

* * *

NOTICE

Notice is hereby given that any petitions for modification of Order 72-8-50, August 10, 1972, *Domestic Passenger-Fare Investigation Phase 7—Fare Level*, or any other Board order prescribing fares, which seek increases in present fares premised on the cost of security measures directed by the Federal Aviation Administration shall be filed with the Board on or before January 19, 1973. Answers shall be filed on or before February 2, 1973.

Dated at Washington, D.C., January 3, 1973.

HARRY J. ZINK, *Secretary*.

STATEMENT OF HENRY E. BOYD, JR., CHAIRMAN OF THE LEGISLATIVE LIAISON
COMMITTEE, SOUTHEASTERN AIRPORT MANAGERS ASSOCIATION

Mr. Chairman, my name is Henry Boyd and I represent the Southeastern Airport Managers Association, which appreciates the opportunity to present its views on the Bills being considered by your Subcommittee.

The Southeastern Airport Managers Association was organized in 1947, by the managers of airports located in eleven Southeastern States:



The principal purpose of SAMA is to promote aviation by providing a media for discussion by its members and to choose policies which may be carried out at a high degree of efficiency by management of public airports and to make public the decisions when applicable to all concerned.

SAMA is a grass roots organization of people that have daily confrontation with the economic problems involved in providing and operating airports for their respective communities. Most of these people manage the small and non-hub airports that have been hard hit by the recently imposed cost of new Airport Certification and Security. Increasing the percentage of Federal money in the Airport Development Aid Program sounds very nice, but actually is of very little help unless these airports retain the prerogative of providing local matching funds by imposing reasonable charges on airport users. Most of these communities are "locked-in" with long term airline use contracts and must be able to turn to "new" ways of providing local money.

The position taken is very well put in the following letter from the President of SAMA :

SOUTHEASTERN AIRPORT MANAGERS' ASSOCIATION,
Savannah, Ga., March 6, 1973.

Mr. HENRY E. BOYD, Jr.,
Raleigh-Durham Airport, Raleigh, N.C.

DEAR HENRY: Pursuant to the Resolution unanimously adopted by the Southeastern Airport Managers' Association at their meetings at Auburn University on March 2nd 1973, this will confirm that you were asked to appear before appropriate Congressional committees and testify as to the position of the Southeastern Airport Managers' Association with respect to various Acts being considered by Congress.

You will recall that while some Southeastern airports have a head tax, some plan to have a head tax and some are, at this time, uncertain, there was complete unanimity among the members that the right to impose charges for use of the airport facility was a right of the local sponsoring government and that the Congress should not in any way upset that prerogative.

I would like to encourage you to present this position with vigor and complete candor and in doing so make sure that the members of the committee understand how difficult it is to raise sufficient local money to guarantee the continued integrity and safety of operation by local governments providing public airports.

My best regards,

Sincerely yours,

ELDON E. DAVIDSON,
President, Savannah Municipal Airport.

Therefore, the Congress is respectfully requested to be attentive to the problems associated with the maintaining, operating and necessary expansion of the small and medium hub airports and the fact that the respective sponsors of these airports are so burdened already that they simply have been unable to articulate their local money problems to the Congress. These small airports comprise about 90% of the nation's air transportation system and each is generally used by surrounding areas that have no financial obligation on state or local level, except where a reasonable passenger use charge may be made.

Should the Congress make the collection of local use charges from passengers unlawful, it would, we fear, establish an alarming and dangerous precedent. Many of the airports serving the people of the eleven Southeastern States would find it extremely difficult, if not altogether impossible, to undertake an expansion program that would provide safe and adequate airport facilities to accommodate the new heavier and more sophisticated vehicles of air commerce coming into more general use by the carriers.

The Bills being considered by the Congress to increase the percentage of Airport Development Aid Program money to local money DO NOT SOLVE THE LOCAL MONEY PROBLEM. The right of the several sponsors of airports constituting 90% of our National Air Transportation facilities to make reasonable airport passenger use charges can solve the local matching money problem to provide for urgently needed updating and SAFETY in our nation's airport system.

STATEMENT OF GILBERT W. RAY, ACTING MANAGER, FAYETTEVILLE AIRPORT
COMMISSION, FAYETTEVILLE, N.C.

Mr. Chairman and Members of the House Subcommittee on Transportation and Aeronautics. The Fayetteville Municipal Airport is owned and operated by the City of Fayetteville. It is located in an area recently annexed to the City and is served by one air carrier, Piedmont airlines, with 24 flights per day. It is anticipated that passenger enplanements for the current year will approximate 150,000.

As to the provisions proposed in S. 38, this Commission is in agreement with the exception of the proposed prohibition against head taxes or passenger user charges. We are opposed to this prohibition for the following reasons:

(1) The Fayetteville Municipal Airport serves not only the City of Fayetteville and Cumberland County of which it is the County seat, but a number of surrounding Counties as well as the military at Fort Bragg and Pope Air Force Base. According to the 1970 census the population of Fayetteville was slightly in excess of 53,000 people. The population of the surrounding area served by this airport would approach half a million. We, therefore, think it is only fair to require the user of the airport to finance a part of the cost of providing this facility rather than to impose a still larger tax on the relatively small number of citizens who live within the City limits and only a portion of whom ever use air carrier service. A boarding fee or a user tax is unquestionably the most equitable means by which the cost of expansion of this facility can be supported.

(2) If Federal participation in the cost of expanding airport facilities is increased from 50% to 75% as proposed in the Bill, this of course will afford some relief to airports such as Fayetteville's. This would, however, leave us without adequate means of raising our 25% of the revenue to use as matching funds. Bond issues for airports as well as for other public purposes have become rather unpopular in this area during the past few years.

(3) We have just completed a projected 20 year survey of our Capital needs. This survey was made from the best possible sources of information and shows our needs over this period of time to be just under 10 million dollars. These Capital needs are based on 1972 dollar costs and of course are subject to such inflationary trends as may occur during the next 20 years.

(4) Our need for a user charge is clear and concise. To merely increase Federal participation in Capital cost is not clear and concise for we still would have to meet certain dollar costs to entitle us to Federal participation. It is quite clear to us that the user charge is the most feasible and equitable means of financing Capital needs for the future.

(5) To deny the right of local communities to levy a user charge would, in our opinion, be a further intrusion on the part of the Federal Government to dictate to local Governments what can and what cannot be done. Tax dollars collected locally and spent locally receive far more "mileage" than tax dollars collected and routed through Washington for ultimate return to local Governments with the usual Federal strings attached.

For the above reasons we strongly and respectfully urge that any Bill passed by the United States Congress exclude any clause prohibiting the user charge method of collecting revenue to meet airport needs.

As to S. 39, we support generally its provisions with the exception of the requirement imposed on the local airport to provide Security Guards at its expense. We agree the Security Guards are essential and we believe that we are in complete compliance with this requirement which service is being performed by our City Police Force. We do not favor the creation of a Federal Police Force to provide this security locally but we do feel that we should be reimbursed for the cost of providing the Security Guards.

Mr. METCALFE. Thank you very much, Mr. Boyd, for your very enlightening testimony. I gather from your testimony, and from the airports that you have listed, you have addressed yourself to the smaller airports and the financial plight they presently find themselves in. Am I correct in that?

Mr. BOYD. That is correct, sir, up through the medium and small hub airports. We are medium hub, sir, but we just barely are.

Mr. METCALFE. Well, this is very significant because normally we have a tendency to think of the larger airports with adequate personnel, and with a lot of revenue coming to meet the demands.

Mr. Boyd, what about the new security provisions? What type of an imposition has that placed upon the coffers of the airports?

Mr. BOYD. Sir, I don't feel that it has been an imposition. The authorities of the Federal Government that are held responsible to look out for the safety of transportation by air have made a judgment, and I don't think it is up to me to agree or disagree with that judgment, but to work as closely as I can with the delegated people to implement a program that has been found, in their opinion, to be necessary.

Mr. METCALFE. What I have reference to is: Who provides the money for this additional security of personnel?

Mr. BOYD. The airport.

Mr. METCALFE. And that is the reason I meant: Was it an imposition, or did it work a hardship upon the airports?

Mr. BOYD. Well, naturally we are in the process right now of having the urgent need for a new runway that the engineers tell me will cost \$28 million.

Now, with the withdrawal of any substantial sums of money from our revenues—and we have to operate on our revenues; there is not one penny of ad valorem tax money in that airport—naturally, it hurts there. And it brings on the added importance to us of, as we call it, the airport passenger use charge, but in the short term, the head tax.

It brings on the importance of that in funding and carrying out the very necessary construction to improve our airport and bring forth the standards of safety that we believe the Congress had in mind when they made the last amendment to the various Airways and Airport Acts.

Mr. METCALFE. You indicated that you had two airports that served 52 counties.

Mr. BOYD. Two counties, sir. One airport; two counties.

Mr. METCALFE. But it serves 52 counties?

Mr. BOYD. That is correct.

Mr. METCALFE. And those other 52 counties are not taxed, they pay no shares?

Mr. BOYD. No, sir. The laws of the State of North Carolina preclude one municipal corporation from expending money outside of their own municipal boundaries. In other words, each of these other counties has to confine their activities in this area.

Mr. METCALFE. And therefore you think the Federal Government now has to step in, in light of the laws of the State?

Mr. BOYD. No, sir; we believe that the continuation of a reasonable airport passenger use charge, dedicated by the law establishing it to capital improvement on airports only, is the answer. We have absolutely no sympathy with charging transportation, a use charge or a tax, to be used for anything else, including heavy maintenance.

Mr. METCALFE. Congressman Shoup.

Mr. SHOUP. Thank you, Mr. Chairman.

Mr. Boyd, you used the term "user charge method of collecting revenue." And of course the popular term we have learned here, and I think in the press, has been "head tax."

I am interested, though, in your interpretation how it should be applied. You, of course, are quite adamant that this should be a method of raising taxes on the local level to meet their needs, the matching requirements for Federal assistance; and as you said, strictly for capital improvements, not M. & O. at all.

But then previously you said that the amount should be dictated by legislation or regulation possibly by the CAB, in a method similar to the way they set fares at the present time. This seems to contradict itself.

Mr. Boyd. Well, in CAB, under rule 221, I believe it is, the air carrier can go before CAB as an appropriate Federal body to show that they have a just need to increase or adjust a fare. It doesn't leave this entirely up to the airline itself to make that increase, and I believe that the airports, should this head tax be allowed to continue—I can see no argument that could be made, should the Congress decide that this tax should be tested before some duly constituted examining authority or board, such as the CAB or others.

I don't suggest which, because I am not that smart, but that a community would not just arbitrarily make a charge; they would have to at least substantiate the amount of that charge. And carrying this a step further, sir, the method used in Scandinavian countries, where this would be handled in the sale of the airline ticket in order to eliminate some of the inconvenience to the passenger, would certainly be most helpful.

Mr. SHOUP. Mr. Boyd, then would it not be much simpler to increase the 8 percent tax which we have at the present time to a point where 100 percent of the capital improvements would be financed through it? I do not see the difference now as to what you are speaking of. You are saying we should charge a percent by the Federal Government—75 percent; I think you are in agreement that it should be at 75 percent—and the Federal Government should then approve an additional charge to make up the 25 percent.

Is that not the same as saying 100 percent shall be financed on the ticket charge?

Mr. BOYD. If some method can be worked in that would account, to the local airport sponsor, local money, quite frankly we would like to see 75 percent. We would rather retain the right and prerogative to make a local charge and have 50 percent.

We run into a great deal in the way of the mechanics of administering the airport development aid program and there are a good many things, sir, on airports that have to be done and are essential in operating a convenient and safe airport for the public that are not covered in the eligible items.

Now, in my written testimony, I made the suggestion that as an alternate arrangement the 8 percent be raised to 10 percent; that the aid program go on an 80 to 20 basis, but that a portion, possibly as high as 40 percent of this 10 percent tax, be returned to the airport generating that revenue, as local money so that it could be used for items that are not eligible under the airport development aid program.

But again, the use of this money, while it would be at the option of a responsible airport sponsor—they would be subject to accountability in its use through appropriate Federal agencies.

Local money for ineligible items under the airport development aid program and for matching money under that program is the problem that we have.

Mr. SHOUP. I can understand that but you say that you have problems in working with ADAP, with the funds, with Federal funding. And I can certainly understand that, but I do not understand where 75 percent funding participation would cause any more difficulty than 50 percent.

Mr. BOYD. Oh, no. I would not think so.

Mr. SHOUP. Any participation, alone, it seems to me causes the same problem so if we are going to have Federal participation, the strings are going to be there. Now I think we are considering the amount that is what—fair and just.

The decision was made quite some time ago and I think you pointed out here that it was necessary, as airports develop, that we had to have a national system that we had to collectively build the airports.

Mr. BOYD. Yes, and this national system should include urgent needs of the smaller airports and I am speaking now for airports that are smaller than the one that I represent directly, and really are hardput; more so than many others, on this local money problem.

Mr. SHOUP. Again, I find contradiction in your testimony and I certainly agree with you on a great amount of it, but I have found contradiction in it and I would like to have it clarified.

One. You prefer to fund the security program, or rather to man it with local police and yet you are requesting that the Federal Government pass laws which will give you a little muscle for these people to work with.

Is this not possible to be done on your local level if, as you say, the Federal is not providing you with the laws necessary? My point is this: No. 1, you want to retain your own identity; you want to say, "This is our terminal. But we want the Federal Government to make laws in control of the criminal element." Can you not have that on the local level?

Mr. Boyd. Well, the Federal Government has come in and stated precisely what must be done. I have been told that I can be fined \$1,000 an incident for failure to comply. There has been casual mention of a jail sentence, not a threat.

Now, if the Federal Government can come in and say, "You must do this," and "you must do that," and "here is where you must do it," and "we can fine you, Mr. Airport Manager, \$1,000 if you fail to do this," then I contend that the Federal Government should have a law so that if I arrest that person under local law, Mr. U.S. attorney can adopt, as they call it, that case into the Federal court and prosecute with the vigor of the Federal Government.

Now, certainly the airport authority that I work for is a municipal corporation, an instrument of the State Legislature of North Carolina. We can pass ordinances but it does seem to me to weaken the intent and to lessen the vigor of enforcement for us to have to charge a man that breaks into a security area with damage to public property because he broke a door—as compared to our charging him; and the U.S. attorney could say, "You charged him for damaging public property. We would like to adopt this into Federal court on a more serious charge"—and have a law to back him up.

This is the plan that we have worked out with the U.S. attorney and will work, where there are Federal laws that he can move under. Apparently there is an absence of Federal laws in some of these areas.

Mr. SHOUR. Perhaps we can be thankful for the lack of some Federal laws.

Mr. Boyd. Well, I can't help but say "amen" to that, but in this case I think one would be helpful.

Mr. SHOUR. May I say that my recommendation would be very cautious in requesting Federal laws for local law enforcement personnel to enforce? I am afraid that we would run into problems. We have had testimony previously that there are States in which local law enforcement officials are precluded from the enforcement of Federal laws. So it becomes a problem. It is not as simple, I think, as you put it.

I do not think this is peculiar. Certainly on Interstate Federal-aid highways, as they go through urban communities, there are requirements as to speed that can be imposed by the Federal Government and yet if that speed is exceeded they are not prosecuted under a Federal law. They are prosecuted under local law because local laws have been passed to comply with the Federal.

Being a strong advocate of local government and local authority, it would seem to me you would be much better off to retain control, rather than to worry about the U.S. attorney. I have no further questions.

Mr. METCALFE. Thank you, Mr. Shoup.

Now, I have have no further questions, Mr. Boyd. I would like to express our thanks for your coming here and giving us this testimony. We appreciate very much your coming.

Mr. BOYD. Thank you very much, Mr. Metcalfe.

Mr. METCALFE. The next witness is Mr. J. E. Mitchell, Jr. executive director, Huntsville-Madison County Airport Authority, Huntsville, Ala.

Welcome to the committee, Mr. Mitchell. Please take the witness chair.

STATEMENT OF J. E. MITCHELL, JR., EXECUTIVE DIRECTOR, HUNTSVILLE-MADISON COUNTY [ALABAMA] AIRPORT AUTHORITY

Mr. MITCHELL. Thank you. Mr. Chairman.

I have filed with your clerk a copy of the testimony that has been prepared for your consideration and I would hope that you could stipulate this into the record.

At the same time, because it is rather concise and short, I would like your permission, if you would, to read it rather hurriedly and comment to some extent, because I have heard some questions raised here this morning that seem to be unclear in the minds of some of you gentlemen, that hopefully we can shed some light on, questions that we are quite concerned with.

Mr. METCALFE. Will you read the statement? You may proceed.

Mr. MITCHELL. I am J. E. Mitchell, Jr., executive director of the Huntsville-Madison County Airport Authority, Huntsville, Ala., and am authorized to submit this testimony for your consideration in connection with your deliberations of H.R. 4082, a bill to amend the Airport and Airway Development Act of 1970.

The Huntsville-Madison County Airport Authority is a political subdivision of the State of Alabama, organized as a public corporation in perpetuity pursuant to act 780 of the Legislature of the State of Alabama. The authority, inter alia, is empowered to oversee the development of air transportation in Madison County, construct and operate airports and fix, levy, and charge and collect fees for the use thereof. We are supposed to be nonprofit, but also supposed to be self-supporting. We do not receive any contribution by way of ad valorem taxes or support from any of our State or local government agencies.

The authority is, in addition, a development corporation, for in building its 3,041-acre airport facility it is their plan to surround the airport with the orderly development of the property that will produce an occupancy compatible with the operation of the airport. This plan is not only working but is assisting measurably with the socioeconomic development of the region we serve. We are interested not only in this form of transportation, but in other levels of transportation, and we are also trying to make a contribution to the overall economic development of the region we are involved in, and we are authorized to participate and actively conduct this type of activity.

Our airport, physically, for your quick comparative evaluation, is equivalent to the layout you have here at Dulles International. Our terminal and other support structures are not of that magnitude, however, but we have planned for the long-range future and have room to grow. Our facility cost only \$20 million, the Federal assistance at that time amounting to 25 percent.

Passenger traffic is at the 500,000 level and we are experiencing a good growth rate. Our route structure is excellent, includes nonstop or one-stop single plane service to most of the major markets and even two nonstop flights each day in both directions between Huntsville and the west coast (LAX). Within 50 miles of our airport are 750,000 people. We, therefore, have a substantial investment and serve a sizable regional market. We, fortunately, can handle four times our present traffic volume without further airport expansion.

Mr. Chairman, if you don't mind, just to give you some idea—and we, incidentally, are considered to be a small airport operator—we might pass that photograph around. That is the facility that we have in Huntsville.

Huntsville is a town of 140,000 people, by the way, but in the area we serve, we serve about three-quarters of a million people.

Consequently we do not, ourselves, have a great concern over the amendment you are considering as such relates to increased Federal assistance. From our viewpoint, having already built a major airport facility with only 25-percent Federal assistance, we feel the medium and small airports should be funded no less than 90 percent on eligible airport development projects.

Thus far, in 3 years, our community has generated over \$3 million to the airport and airways development trust fund—our return during that same period being \$48,000. At present, and let's take fire-rescue as a for instance, we generate the taxes for the trust fund to grant us 50 percent of the cost and then we have to match that with another 50 percent.

Possibly my mathematics are off but we calculate that the equipment in question is actually costing us 150 percent, a rather expensive way to procure such equipment.

This might explain to you the reason why this Federal aid business is a little bit wacky insofar as we are concerned. We send up money, get 50 percent back, have to put up another 50 percent; and from a local community standpoint, Mr. Shoup, this is 150 percent. Now, there hasn't been one thing said about "what does it cost to operate that particular equipment?"

That equipment will cost nearly \$200,000, one piece. It will cost \$200,000 almost, annually, to man it, so the cost of the equipment is insignificant, really. I mean comparatively speaking. It is not unimportant, but in that comparative analysis it is insignificant.

More importantly, the Airport and Airway Development Act or any of the other acts addressing themselves to airport development are completely silent with regard to assistance in connection with the cost of maintenance and operation.

And when I say "cost of maintenance and operation," I am including debt service.

Flowing from these acts, though, has been an avalanche of directives as to how to operate an airport, again total silence with regard to monetary assistance. And I am talking about operational standards, security standards, and this, that, and the other, that have flown out of Capitol Hill up here in the last 24 to 36 months. And most, if not all, of these directives have merit—this may surprise you. We're not hostile to this; we're for it. Directives have merit as they are for the safety of the flying public, and we have subscribed to and support these measures.

We have had a full-time airport fire department, fully manned 24 hours a day, for over 10 years. You didn't have to tell us to do that; we have already done it. And our own airport police department was organized several years ago. They are uniformed officers, police officers, police empowered.

Please remember now, though, we are not the "biggies," we are the "smallies." From an airport standpoint, however, I have never really understood the airport difference between Dulles and Huntsville, when both are handling modern-day jets. It takes just as much airpower in Huntsville, Ala., to land a 727 or a 737 or a DC-9 or a DC-8 as it does right here in Washington. Geography has nothing to do with handling a jet aircraft.

The statistics that some 25 airports in the country are handling practically all of the traffic is a bunch of baloney. It is all in the way you keep the books and the way airports are classified. The really important thing—and you have touched upon this, Mr. Shoup—is the development of a national air transportation system. And if you don't believe that, shut all of the over 500 airports around the country down, cut the 25 big ones, and see what happens.

It took Andrew Jackson 30 days to drive from Washington to Nashville, Tenn., and we just don't have that much time in this day and age. We just can't move around that way. It probably would be an enjoyable experience but we just don't travel that way.

Or go to Chattanooga, Tenn., and see how important the airport is to that community, when they awakened one morning to find their airport facility several feet under flood waters and closed totally for several days.

Of much concern to us is your consideration of barring our right to levy and collect an airport use charge on enplaning passengers. The Airport and Airway Development Act of 1970 clearly states the philosophy that the user should pay for the air transportation system and service, and we certainly subscribe to this philosophy.

The vast majority of the people don't fly. A minority does a majority of the flying in this country.

You even went one step further and dictated that, as an airport operator, we would not even be eligible for Federal assistance if we did not establish a set of fees and charges for the use of the airport that would enable us to be financially self-sufficient. That is a prerequisite to filing a claim or request for Federal assistance, dictated by this Airport and Airway Development Act of 1970.

If you bar our right to levy and collect charges on passengers, we find it somewhat difficult to understand how you can expect us to operate at all.

While the Airport Transportation Association is totally opposed to such passenger charges, they have used Huntsville as a model to other communities considering the levying of charges on enplaning passengers. We were one of the first to levy the charge and collect it ourselves without any assistance whatever from the scheduled carriers. The big-airport operators are not concerned with this particular problem, other than siding with the airlines, as the airlines underwrite their total operation. In a vast majority of the cases the airlines do not underwrite the medium- or small-airport operators. The big airport gobbles up most of the Federal assistance and who gets credit for it? Right off the bottom line, the airlines do. While the airlines are against passenger charges, they are equally against paying landing fees to the smaller airport operator sufficient for him to maintain, operate, and meet his debt service requirements.

The airlines cried that it would increase the cost of transportation and dampen the market. While they were crying you slapped an 8-percent tax on each ticket cost, and they promptly got two fare increases from the Civil Aeronautics Board, aggregating some 8½ percent. When the Department of Transportation recently unloaded the security requirements on them and on us, too, incidentally, they ran straight to CAB for an increase, but somehow forgot to ask 1 dime for us. Their stated policy position for this unthoughtful act was that we here in the community should be willing to bear this financial burden for the fame and glory of having scheduled air service in our community.

Now, they operate for the interest of stockholders on a profitmaking basis. Fame and glory doesn't have a thing in the world to do with it; it is strictly a business matter.

If you take away our right to levy and fix charges for the use of our airport, you are not going to solve any problems. Quite to the contrary, you are going to create many, many more problems. I trust, therefore, you will be interested in the results of our experience with passenger use charges. For, if we cannot afford you something positive and of value, then very little will have been accomplished by our appearance before you. We are against airport use charges on passengers, basically. That probably might surprise you. But it was either levy one or go bankrupt. For compliance with airport operation standards and security requirements has more than doubled our budgetary requirements. And if we had not complied, the law, as stated by Congress, would require that our operations be shut down.

You are just between the whipsocket and the dashboard, if anybody can remember that phrase. Passenger complaints from our passenger use charge average less than one in 20,000. I can document this for you.

The verbal complaint, high percentage, but not hostile, is: "Why don't you make this a part of my ticket?" He is not complaining about paying it; he is complaining because it is not included in his ticket. And when he goes to the counter and makes his arrangements—and that is bad enough—you know, we are operating an airline counter office like the horse-and-buggy days. We are still writing out a ticket in pencil.

He stands there for 30 minutes and goes through all that "rigamarole" and then has to stop for a few seconds and get a boarding pass. It irritates him. I don't blame him. It irritates me. He is not

concerned with the dollar; he is concerned with the mechanics. He understands that.

By the way: We have had only one complaint on airport security measures recently inaugurated and this was due to a lady not being able to see her husband off at the gate and kiss him goodbye. I don't blame her.

As to the airport use-charge on passengers, the fee we collect is \$1 and these funds are pledged to our debt service as such only relates to airport field construction. Our \$6 million airport terminal facility was built without one red cent of Federal, State, or local funds and is maintained and operated without Federal, State, or local assistance.

We would also like to offer recommendations as to the solution of the problems you are faced with. Scheduled carrier air transportation is a federally regulated public service and they should be required to include in their rate structure demands the true cost of their operation, including those airport fees necessary to support their operation across the country. The telephone utilities do, and the other agency utilities do. Why are the airlines any exception and why do we locally have to provide them subsidy in the form of an airport to operate from?

Gentlemen, when I was in business for myself for nearly 20 years I paid rent in the office space that I occupied. No one else paid it for me. Now, we provide them a place to operate from, if you will, just like renting office space. And from that operation it is contemplated, having a license practically to operate a monopoly, that they will make a profit. They are allowed a profit even under the Federal regulation.

The telephone companies report their rent. They report everything that they incur in the way of direct and indirect operating expenses. They would go before the proper regulatory agencies; and if it is justifiable and is found so by that regulating agency, they are granted whatever increase is necessary to not only cover those expenses, but to insure that they get a properly formulated return on their investment or a profit which can be returned to their shareholders.

Such a philosophy certainly runs counter to the Government's stated philosophy; that is, our providing a subsidy to the airlines. This is really what it amounts to.

It would be rather simple—it seems this way to me; it may not be—it would be rather simple to cause the airlines to include in their operating costs the sums necessary to properly compensate the airline operators for necessary development, maintenance, and operational expenses. If this is of such impact on the airlines' operating overhead, they have already demonstrated they well know the path to the Civil Aeronautics Board for an appropriate rate increase.

If time is insufficient for you to consider such an approach as just stated, we, and many other so-called medium and small hub airport operators, urgently request you to strike those provisions of H.R. 4082 that relate to barring the levying and collecting of passenger use charges and delay any action on this matter until you can insure our loss of income will be compensated for by other means.

Individually you are going to cost us, if you amend this bill as you contemplate—you are going to cost us \$250,000 a year. You are going to bankrupt us. It is just that simple. I don't think you have that right. I might be wrong, but forgive me; I just don't think you have that right. That is our destiny.

If you are unable to do either of these suggested procedures, we implore you to strike out the word "and" in section 1113(c) (2) ; strike all of section 1113(c) (3), and strike the words "to such authority until July 1, 1974," on lines 18 and 19 of said section 1113. What this does, at least: It permits those airlines operators who are levying and collecting airport user charges on enplaning passengers, and doing so without air carrier assistance, and who are using these funds so collected to repay a loan or loans borrowed and expended for airport improvement, to continue to meet these obligations.

We collect that money and take it down to the bank to pay people whom we have borrowed money from. Now, that is right easy to borrow money but my daddy always told me: "Don't forget, son, you have got to pay it back."

We are no different with an airport authority. We much prefer these and other proper airport operating costs be charged to the airlines and, in turn, reflected in the passenger's cost of air transportation. This is what the air traveler tells us. He should know, and after all, it obviously makes good sense. Air transportation is still one of the best buys in this country for the dollar. If you don't believe it, strike out across the country and see how much it costs you to get to California. Although the cost in question, or loss of income, whichever way you wish to phrase it, is of monumental importance to us and other airport operators, the impact upon the cost of air transportation to the public cannot be of any consequence at all, as all operating costs presently being paid for by all airlines only represent 2 percent of their total operating costs.

Mr. Chairman, I appreciate greatly the opportunity of being allowed to make this statement and these comments. It will be my pleasure to attempt to answer any questions as truthfully as I know how, that you may wish to propound.

Mr. METCALFE. Thank you very much, Mr. Mitchell, for that very splendid statement that you read to us, with the interpolations that you inserted in it,

I have just one or two brief questions I would like to ask.

In reference to your statement on page two where you indicate, in building your air facility there, that you received only 25 percent of the money from Federal assistance, and you are proposing that you receive 90 percent. How did you arrive at that 90-percent figure?

Mr. MITCHELL. Mr. Chairman, of course we built that airport; started on it in 1964. We completed it and had been in operation there for 5 years at that location. And in those days we were operating under the old FAA program of Federal aid to airports, which was not highly funded. Some \$50 or \$75 million per annum. There just wasn't a great deal of money to be spread around among all of the airports.

I am not blaming anybody or castigating anybody for that lack of Federal assistance.

In addition, our airport board, being run and managed by businessmen, felt it was the better part of wisdom to prepare for the future. They brought a large tract of land. They built runways 50 percent above the standards provided by FAA and spent a great deal more money than what probably we could have gotten by with.

As a result, the Federal participation, being limited because of moneys available, only came to 25 percent. They couldn't give us any

money on road systems. They couldn't participate in the electrical system to furnish electricity to the airport. They couldn't contribute anything to the sewer system. They just didn't have the money. Not their fault; it just wasn't there. But we went ahead and built it anyway.

Mr. METCALFE. What I am concerned about is the 90 percent.

Mr. MITCHELL. Well, you are collecting 8 percent now on the tax.

Mr. METCALFE. Why not 75 percent? Why not 80 percent? Why not 50 percent?

Mr. MITCHELL. It gets back to that question about buying a fire truck. At 50 percent I would assume you would leave that 8 percent with us or not put it on. Just let us do all of it. It has its complications.

But the real reason—and let me try to answer that question more directly; and I am, in a sense, trying to represent, unofficially and without portfolio, medium and small airport operators. We are a "smallie," as I told you.

It takes approximately 100 flights a day at any airport to generate sufficient landing fees to produce revenue that would generally make it self-sufficient. The "smallies" don't have that kind of density of traffic. They can't generate the revenues even to match the 50 percent, without digging down into their own pockets.

And again, it gets back to your stated philosophy, which we agree with: Why should 60 percent of the people over here, who don't fly, reach into their pockets and pay for the 40 percent or the 30 percent that do fly?

You have said that the user should pay for it. And we agree with that. That is our stated philosophy in our community. It is in practically most of the communities that have airports. The citizens, the voters, decided this 20 years ago.

When local airport operators attempted to levy ad valorem taxes or taxes on the general public, for building an airport, they just voted it down. That is where the message came from. That is where you got the message from. Fiddle. You know. Let the user pay for it.

Like the golfer. I don't play golf. Let him pay the green fee and support his golf habit: not me. I don't have any hangup on it, but this is the way these things are being looked at.

Mr. METCALFE. If he is a good golfer he doesn't mind paying his fees.

Mr. MITCHELL. Right; the small operators.

Now, if you are going to build a national air transport system you are going to have to take that into consideration. I will give you an example of what I am talking about.

Take the Interstate Highway System and run it through any State that you want to. You come to the poor county. They don't generate any taxes and they don't have any money so you just leave that poor county out and stop the road here, and pick it up over here where the fortunate county is.

Now, what kind of transportation system by land would we have on that basis?

You can't do that. You would be running out of highway every time you turned around. That system has got to flow across a certain segment, whether it be rich county or poor county or rich locality or nonproductive tax community, or what. And after all, the flying

public is paying the bill of 8 percent to help develop airports, not maintain and operate them, now, but help develop them.

So, why should it befall the responsibility of a community that just really can't afford it—that is, if you want a good national air transportation system—to reach in their pockets. They just haven't got it.

Mr. METCALFE. Thank you.

We have a lot of testimony in regard to a question and a complaint. I will refer you to your testimony on page 5. The question was asked: "Why don't you make this a part of my ticket?"

What answers do you give those people when they raise that question?

Mr. MITCHELL. Well, we try to explain to them—and we do have a regular public relations program for these people that ask these questions; we try to do it intelligently and forthrightly—that we have been burdened with considerable additional operating expenses. There has been a great deal of publicity about this. And really, he doesn't get to the question of the buck, as I said, but he questions just what you addressed yourself to: "Why isn't this a part of my ticket?"

I say:

Well, things have descended upon us. The cart has gotten in front of the horse. There are investigations going on in Congress and we can only hope that within a few months the horse will get back out in front again and this cost will be properly put into the operating costs of the airlines and ultimately reflected in your ticket.

During the meantime, though, we have to keep the hot dog stand open; so this is the only thing that we can do.

Mr. METCALFE. Thank you.

Mr. Adams.

Mr. ADAMS. Mr. Mitchell, on page 3, you indicate that the really important thing is the development of a national air transportation system and give as an example what happened in Chattanooga when they found their airport was closed. And yet the whole thrust of your testimony is that the local community just doesn't have any responsibility for having an airport; that it relies only on the user; that the local community could just go ahead and shut it down.

Now, these two things to me are quite inconsistent. Huntsville basically had its industry built on missiles, electronics, and on the NASA program. I happen to be familiar with it, because many people from our area fly from Seattle to Huntsville, from L.A. to Huntsville. Isn't your industrial complex greatly dependent upon that airport being available, open and connecting you with the rest of the country?

Mr. MITCHELL. I think this is what I tried to point out with respect to Chattanooga.

Mr. ADAMS. Doesn't the local community have an interest and some responsibility in maintaining that facility as an advantage to itself and its own business community, as well as to the passenger who is flying back and forth?

Mr. MITCHELL. I think we have already demonstrated that, if you will look at the photograph.

Mr. ADAMS. I don't say that you haven't.

Mr. MITCHELL. We have already done it. As I said, we don't have a problem with respect to the development of an airport. We have already built ours.

Mr. ADAMS. All right. But you are saying that you shouldn't have to put any money into it to operate it because this should be paid entirely by the passengers. This is what I say is inconsistent in your statement. Either the local community ought to put some money into the airport for its own advantage, or it shouldn't.

Mr. MITCHELL. We have already put our money, as I stated, into it.

Mr. ADAMS. You, in other words, do not think you should put some more into it to operate it?

Mr. MITCHELL. See, the problem is in this situation that nobody seems to separate airport development from airport operation.

Mr. ADAMS. I am separating it. I am saying: Does the local community have an interest in operating an airport so that you have passengers going back and forth in your city?

Mr. MITCHELL. I don't have any patience whatsoever in providing an airport for a business that makes a profit as a subsidy to their operation.

Mr. ADAMS. I am just talking about the fact that the people that come in and out of Huntsville are coming there to do business, and I think it is essential to your community that you have an air link.

So, don't you have any feeling that the local citizens receive a benefit from having an airport that functions for them in their area and connects them with the national system?

Mr. MITCHELL. I do, but that has nothing at all to do with, why should I furnish you, a businessman making a profit, with free office rent?

Mr. ADAMS. It hasn't anything to do with that at all.

Mr. MITCHELL. It certainly does.

Mr. ADAMS. The question is: Do I go to Huntsville or go someplace else to carry out my business? If I can't get into Huntsville, I go someplace else. Doesn't Huntsville have an advantage in being tied to the national system?

Mr. MITCHELL. I think everyone has an advantage, and I think we, ourselves, have already demonstrated our contribution to that, with our own buck.

Now, we are talking now insofar as we are concerned, about operations.

Mr. ADAMS. I am talking about operations for the future. This is the whole thing this committee is involved with: Does the local community have any advantage from being connected to the national system?

Mr. MITCHELL. They certainly do.

Mr. ADAMS. All right. Shouldn't they share?

Mr. MITCHELL. Mr. Adams, "share," and "giving," have a lot of different connotations.

Mr. ADAMS. Wait a minute. There is one thing about your airport. You say your airport has four times the capacity that it presently needs. This is on page 2.

Mr. MITCHELL. Yes, sir; we can handle it.

Mr. ADAMS. Right. And so you have an airport facility that is greatly larger than you had to build, and therefore your flight and your landing fees do not carry all of the expenses to it. But isn't that a local decision that you made that you wanted that capacity?

Mr. MITCHELL. Well, we thought it not only was good business sense, but it has proved to be good business sense.

Mr. ADAMS. I agree with you. I agree with you that it is good business sense. But now, having done that, why are you unhappy about the fact that the business has not yet caught up with the capacity, so that you have a shortage in income?

Mr. MITCHELL. Now, wait a minute. You have got this horse backed way behind this wagon.

Mr. ADAMS. You and I disagree as to who has the horse first and who has the horse last, but isn't that what happened?

Mr. MITCHELL. We were having no problems at all financially until there was imposed upon us airport certification and airport security.

Mr. ADAMS. All right. Now, let's go to that. If we take out of the ADAP fund and pay for airport certification and for airport security, which is being proposed—in other words, that is part of this package that we are talking about at the present time—and if we pay that out of the 8½ percent that is paid, then we are moving to solve your problem, aren't we?

Mr. MITCHELL. Well, you might help me. I don't know whether you will help some of these other people.

Mr. ADAMS. But we are trying to let each local community make its own decision. And what I am saying to you is that if they want a big airport or a little airport or a medium-sized airport—in other words, they have to make a judgment of the degree to which they want to be involved in the national system. And I think that is their decision.

Mr. MITCHELL. Yes, sir.

Mr. ADAMS. And as we put on these additional requirements, I agree with your position. And this has been the position of many members on this committee, that the ADAP funds, the tax fund, should pay for these additional requirements. So we don't have to have these varying head taxes around the country.

Now, for example: Suppose we went an extra half percent and just turned that back to you for your expenses, based on the traffic that you generate? If your average fee was \$200, that would generate your dollar a passenger. Wouldn't that be a better way?

Mr. METCALFE. Will you please preside? I am going to have to leave. There is an emergency.

Mr. MITCHELL. Mr. Metcalfe, thank you for your kindness.

Mr. ADAMS, you asked if our community doesn't have an interest. I think you missed a while ago that paying 8 percent on the ticket we have generated to this trust fund locally—that is coming out of local pockets now; \$3 million bucks. Our return has been \$48,000.

My fear of what you are talking about is that when you do that our return will be just about that measure.

Mr. ADAMS (presiding). All right. Let's talk about that 8½ percent a minute. That 8½ percent doesn't just come out of the pocket of your people because they are entering that airport in Huntsville. It pays for the other end, where they are going, for the ILS system while they are on their way and for the FAA system that keeps them from running into someone else.

Mr. MITCHELL. I understand.

Mr. ADAMS. So that it is not just something that ties directly to your airport, is it?

Mr. MITCHELL. Well, what I was trying to point up is that our contribution has run \$3 million.

Mr. ADAMS. You mean the passengers that are getting on—their contribution?

Mr. MITCHELL. And I think you historically know that maybe X passenger from New York gets on in Huntsville and buys a ticket and pays, but if that is the case the Huntsville man is buying one in New York to get back to Huntsville.

Mr. ADAMS. As I remember, on the Huntsville traffic, and again, I know a little something about it, isn't it true that about 75 percent of your traffic is generated elsewhere and comes into Huntsville on a round-trip ticket, mainly coming from L.A., Seattle, and the other major missile-producing points?

Mr. MITCHELL. No, sir. Our traffic is just like it is all over the country. It runs just about 50-50.

Mr. ADAMS. Well, that might be true. In other words, 50 percent of your people are going out to look at whatever they have got in L.A. or Seattle and coming back, and 50 percent are coming the other way?

Mr. MITCHELL. That is a national statistic.

Mr. ADAMS. Now, that is what we are getting at. This really is a national system, isn't it? And, therefore, what we are trying to do on the committee is that we are not trying to punish Huntsville or any other city but we are trying to get one national program, with one tax and to be fair to people.

And I gather now that we are getting to some point of agreement that we should pick up more of your operating expenses, since we have increased these regulations. Would you support that we take over entirely, for example, your security function, which is going to be increased, by paying for the guards?

Mr. MITCHELL. I would much prefer you let us establish our fees and collect them for those needs that we find to be pertinent to our operation.

Mr. ADAMS. Well, now, here is our problem with that. If we let you establish a fee, Chicago establishes a fee, Seattle establishes a fee. Every one of them does. Most of your flights will break, to come out of Huntsville and one or two cities, either Chicago or one or two of the others. Now, if we let each one of those put a fee on, your passenger from Huntsville, though he may live there, not only pays the 8½ percent, but he pays the dollar from you.

If he enplanes on another plane in a hub, he is going to pay another dollar, and our anticipation is that it will grow to approximately \$10 because New York, Philadelphia, Chicago, are going to begin to compete for the amount of fee that they charge.

So, at each place along the line he gets nicked an additional amount and a varying amount, depending upon the competition among the cities; and then we have got your passenger from Huntsville paying from the Chicago airport, the Philadelphia airport, the New York airport. And isn't he going to be a little mad about that?

Mr. MITCHELL. Well, I think in that context he probably would.

Let me indicate to you: you felt like probably we were not able to keep our heads above the water down there and it has taken a great deal of effort to afford us the money to operate our airports. Remember now, we are a "smallie." We don't have the high density of traffic

The Los Angeles Board of Airport Commissioners has set March 28 for the sale of \$20 million in airport revenue bonds. Landing fees will be increased from 33.5 cents per thousand pounds to 44 cents, to underwrite the sale.

Our landing fee at Huntsville is 30 cents. Now, who would you say is doing the better job? Who do you think is going to pay for that?

Mr. ADAMS. What do you mean? Los Angeles? Huntsville?

Mr. MITCHELL. Their landing fee is a third higher than ours and you are just jumping into Pandora's box that is causing all the problem.

Mr. ADAMS. You can set your local landing fee.

Mr. MITCHELL. Oh, no. Big old airline comes in and puts pressure on.

Mr. ADAMS. I know, but that is your problem. You want to run it locally and you are dealing with these airlines.

Mr. MITCHELL. And pray tell me why airlines will pay La Guardia \$1.19 and L.A. 44 cents and only want to pay us 7?

Now, when you explain that philosophy to me I will buy it. And there is not an airline operator in this room that will stand up and testify that exactly what I am saying is not the truth. And I can document it.

Why do you not make any more money as an airline paying \$1.19 in La Guardia, when the airline is full, as compared to only 33 cents in Huntsville, Ala? The reason they pay it in New York is that they have got to and the reason they do not want to do it in Huntsville is because they think they are big enough and can force us to swallow that apple you are trying to make me swallow—for fame and glory, we ought to have an airport.

Mr. ADAMS. All right. Now, you can close it, can't you?

Mr. MITCHELL. We damn sure might. Excuse the expression.

Mr. ADAMS. That is precisely—

Mr. MITCHELL. But that is not right. And don't you think we haven't earnestly considered it.

Mr. ADAMS. Well, what I am saying to you is that you are telling us that you want to run it locally, but you do not like what is happening to you locally. And all I am saying to you is that we are trying to decide—

Mr. MITCHELL. No, sir. I just don't want you tying my hands as to how to generate revenue to do it with. Now, here is L.A. You don't say anything to them.

Mr. ADAMS. Suppose we say that you can charge your local residents and no one else whatever you want to charge them for getting on the airplane?

Mr. MITCHELL. Look, I have already stated that basically we are against the airport use charge on passengers.

I say that honestly. But it was either go bankrupt while this mess is trying to be straightened out, or close the airport, or not comply and be forced to close it by edict of the Federal Government.

You gentlemen haven't understood this problem.

Mr. ADAMS. Oh, we understand the problem very well and the philosophical argument that is going on is: Do you pay it out of the ADAP fund or do you generate it by local head taxes? And we are trying to meet it on a national basis rather than on a patchwork basis.

Mr. MITCHELL. You can answer that very easily when you can explain to me why an airline can pay \$1.19 in La Guardia and 44 cents

in LA and 47 cents in Atlanta, and I can rip them off to you right and left, but they don't want to pay us. And I can tell you why they don't. They are just being high-handed, hard-fisted. And we have had a belly full of it.

Now, if they can pay \$1.19 in New York they can pay whatever is reasonable—and it will be a lot less than \$1.19 in Huntsville, by the way—whatever it takes to operate that facility in Huntsville, Ala. And we don't need any Federal subsidy or anything else.

Mr. ADAMS. Mr. Mitchell, I am going to let Mr. Shoup question but just briefly, my answer to your statement is that we have been trying to let the private enterprise system work, which is your bargaining with the airlines. And you are building the size airport you want. You are charging the landing fees you want.

Mr. MITCHELL. And we were doing all right until you put your foot into it and unloaded this stuff on us.

Mr. ADAMS. When we put in the other requirements, many of us stated that we believed that the passenger charge should go to that. The bill was vetoed. Now we are going to try it again.

Mr. Shoup?

Mr. SHOUP. Thank you, Mr. Chairman.

I really don't know where I sit on this thing, Mr. Mitchell. You keep telling us that you are talking for the "smallies." And yet you say that you generate 500,000 boardings a year.

Mr. MITCHELL. Well, it wasn't I who said we were a "smallie." The Federal Government classifies this as a "smallie."

Mr. SHOUP. I thought you stated several times that you were talking for them. I wonder where that puts me, because the community I come from—probably there are many more in that relative size of boardings than are in the size of your particular airport. I think there are a great number more.

Your landing fee or your user charge of \$1 is ridiculous as far as my community is concerned, in helping maintenance and operation, much less certification or capital and matching capital investment. It is ridiculous.

Mr. MITCHELL. I agree with you.

Mr. SHOUP. And because of that it was recognized that we must have a national system of some type.

Mr. MITCHELL. Mr. Shoup, it could have been very easily solved before you put all these airport security measures on us. But it might not have hurt if you would have come down and asked us how we were going to pay for it.

Now, you said: "Do it." You didn't tell us where to get the money from.

Mr. SHOUP. I think that at the present time the question before this committee is, where does it come from. I suppose we could say: "Let us forget about any responsibility of the Federal Government in this national system to provide any standard of safety for the passenger, and leave this to the discretion of the local operator. Have no standards whatsoever.

Now, this is security physically. This includes such things as ILS landing procedure, safety requirements. Let's forget all of that because we stuck our nose in where it shouldn't be done—and go back to where each particular community sets their own standards.

Are you advocating that?

Mr. MITCHELL. No, sir. And I stated in this testimony that the standards that you established, we subscribe to.

Mr. SHOUP. But what we are trying to do is find a way to help, not only you, but every airport in this Nation to finance it so it doesn't become a burden on the local taxpayer.

Mr. MITCHELL. That is correct.

Mr. SHOUP. This is what we are attempting to do.

Mr. MITCHELL. I agree with you.

Mr. SHOUP. Now, I think you have admitted the fact that locally you cannot handle the problem when you say that the large airports or airways will not pay you what you feel rightfully is yours.

Mr. MITCHELL. Yes; but we were handling the problem before all of this was dumped on our back.

Mr. SHOUP. And was it you or the gentlemen before, that stated one reason we had all this capital investment and all that was because of the larger airlines or larger airplanes?

Mr. MITCHELL. No; I think it was the gentleman from Raleigh-Durham.

Mr. SHOUP. I think maybe it was.

Let me ask a number of other questions to clarify. No. 1, you feel that the Federal Government should participate in capital investment, capital improvements?

Mr. MITCHELL. Well, if you were going to have an ADAP program and develop a national air transportation system, we are very happy to contribute to that even though we have already built ours. It is a pleasure and a privilege to be able to help someone else build an adequate facility to serve their community.

Mr. SHOUP. Mr. Mitchell, I will give all the credit to your local community for what they have done on their own. I think it is very admirable. But I think we are looking to the future and what has to be done in the future. There are many problems in connection with this.

I think you keep qualifying your answer. At the present time, today, are you in favor of the use of the ADAP, the 8 percent for capital investment?

Mr. MITCHELL. Capital improvements?

Mr. SHOUP. Capital improvements.

Mr. MITCHELL. Yes, sir. They are not going to benefit us a great deal, but we are for them.

Mr. SHOUP. Yes, sir. Are you in favor of the use of that fund for meeting certification needs as required by the Federal Government?

Mr. MITCHELL. Yes, sir.

Mr. SHOUP. Are you in favor of the use of that fund for M. & O. purposes, to meet the requirements?

Mr. MITCHELL. No, sir.

Mr. SHOUP. You are not. All right. Thank you.

Mr. MITCHELL. I think that is our problem. I just don't want you all to tell us how to solve it.

Mr. SHOUP. What is your suggestion, Mr. Mitchell, on this problem you say you have of La Guardia getting \$1.14 or \$1.49, and you only get 7 cents?

Mr. MITCHELL. Well, the gentleman from Raleigh-Durham alluded to that. Historically, the airlines have negotiated across the country

on an individual basis to the best extent that they could. And I believe it would bear the brunt of light and truth that these contracts have been very inconsistent, certainly with respect to the local people. They have tied them down. They have obligated them.

They have also been negotiated under the heavy hand that "if we can't get such and such a landing fee, then we are not going to bring our service in here."

Mr. SHoup. I would ask you: What is your solution on this? What would you like to see?

Mr. MITCHELL. Our solution to a great extent has been improved. We went under that situation when we were having very little traffic and desirous of having air service and being prodded by the Federal Government because of their installations in Huntsville to improve our service and get a better airport and provide us a better means with which to do business.

We now have a sufficient amount of traffic and the airlines are making a sufficient buck in Huntsville that I think we can negotiate with them.

Mr. SHoup. I will rephrase my question, Mr. Mitchell. What, then, excluding your airport, that has no problems, as you say—what would you suggest a solution would be for my airport that does not get sufficient landing fees?

Mr. MITCHELL. I think this, that each airport operator should be allowed to present his maintenance and operation budget and justify it as to its reasonableness, including debt service, and simply divide into that total figure the amount of projected landings for that airport to arrive at the cost of providing service to that community.

This, then, should go as an indirect cost, along with other direct costs of the airlines and to their presentation before CAB if such is necessary, to arrive at an appropriate fare for the airlines, to hopefully insure that they will make a profit.

Mr. SHoup. You are then saying that the local option then is removed and you want the Federal Government to take this over, to force the airlines to pay enough money to cover the maintenance costs?

Mr. MITCHELL. I don't know whether you have to make it a law or not. It might help a lot if you were to say that the proper procedures were set up for documenting what an airport operator's expenses are that are properly entitled to be considered and paid for by the airlines for operating on that particular airport.

The utilities and everybody else do it all over the country all the time on every federally regulated business except the airline industry.

Mr. SHoup. I have a problem, Mr. Mitchell; in my community I have been touched by Mr. Boyd and you telling how much the requirement of fire engines and the manning of them costs you in your size airport. When you speak for the "smallies," you may not realize it costs exactly the same amount in a small airport.

Mr. MITCHELL. Yes, sir.

Mr. SHoup. And when you have 6 to 8 or 12 landings per day—you don't have any problems. Mr. Mitchell, in meeting certification, until you operate under those circumstances.

Mr. MITCHELL. No; I think we are right in your canoe.

Mr. SHoup. If you are going to say that we are going to get away from a national system, a national system whereby the basic costs are

not met, there is no way, Mr. Mitchell, that Northwest Orient Airlines and Frontier Airlines can pay high enough landing fees to meet the costs of operation of my hometown airport. There is absolutely no way. We have to find other sources.

Mr. MITCHELL. That is exactly what the electric power companies said about rural electrification.

Mr. SHOUP. And what was the answer?

Mr. MITCHELL. The Federal Government had to go in and subsidize it.

Mr. SHOUP. Right. And, what are we discussing now?

Mr. MITCHELL. When, in fact, the proper approach should be the question of public convenience and necessity. But the big power company says no, it will cost us too much money to electrify rural America, but our rural electrification went in and did the job.

Now they are running lines side-by-side down the same street, competing for customers. The problem is a question of public convenience and necessity.

Mr. SHOUP. Right.

Mr. MITCHELL. The Federal Government's posture should have been, in regulating a monopoly, that "you will do it" if, in their wisdom they thought this was best for the public convenience or necessity.

If you want to build an air transportation system I think you are going to have to take the same posture.

Mr. SHOUP. I think this is the posture we are attempting to take, rather than saying each individual airport shall run its own.

Mr. MITCHELL. Now, it might be \$1.62 at your airport for a landing fee for 1,000 pounds. It might only be 60 cents in Huntsville. It might be 30 cents somewhere else. It might still be—legitimately so—\$1.19 in New York. But the whole figure can't be of that consequence. It's only 2 percent.

Mr. SHOUP. Mr. Mitchell, I think you have missed the point. You were talking of \$10 per thousand; not \$1.62, to meet the requirement of a small airport on very few landings.

Mr. MITCHELL. Is that what your case is in your hometown?

Mr. SHOUP. Yes; it certainly is and we are being faced with being closed out right today because of lack of funds to buy a cotton-picking fire engine.

Mr. MITCHELL. Well, I agree with you. As I said, I am in your canoe. But I don't think that the overall dollar cost on a volume basis to provide that situation in your town is going to add that much to the overall operating cost to the airlines across the country.

Mr. SHOUP. I am not arguing with you on that. I am not that familiar with their operating certificate.

Mr. MITCHELL. The total landing fees today for all airlines all over the country only runs 2 percent of the operating budget. So, maybe they have to pay you \$10.

Mr. SHOUP. I think there are other solutions.

Mr. ADAMS. Thank you, Mr. Mitchell. We appreciate your testimony.

Mr. MITCHELL. Thank you very much.

[The following memorandum was received for the record:]

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY,
Huntsville, Ala., March 29, 1973.

To: House Commerce Subcommittee on Transportation and Aeronautics.
 Subject: H.R. 4082, a bill to amend the Airport and Airway Development Act of 1970.

Questions raised when we testified Tuesday, March 27, 1973, create the impression on us there still exists a great lack of understanding as to the depth of our problems and the relatively simple procedure for solving them.

CAB has just opened the door to permit the Airlines an increase of 34¢ per coupon effective April 1 to cover security costs. CAB's refusal to recognize our costs in this area (and it is considerably more than guards at gate positions) is based on the complete inconsistency of cost data submitted by the Airlines. That has to be the biggest laugh of the century!

What CAB did, insufficient as it was, clearly demonstrates the point we made—our operating costs should be reflected in the Airlines' total operating cost column and if this justifies a rate increase then let them file with CAB and the issue decided there. The mechanism is available—there is no need of increasing the 8 percent Trust Fund Tax for this fund is for capital improvements to develop a national airport system, the foundation for a national transportation system.

Operating expenses, indirect included, are the responsibility of the Airlines, this dictating a fare structure as regulated by CAB. Again, your responsibility is public convenience and necessity and through CAB you should not allow an Airline to badger a community when its fees and charges are reasonable and necessary. This may result in some rather high landing fees at small, low density airports but when these relatively small costs are included in the system-wide operating expenses the increase over the present total will be very, very little and, therefore, have only a minor effect on the cost of Air transportation.

Sincerely,

J. E. MITCHELL, Jr.,
Executive Director.

Mr. ADAMS. The next witness this morning is Mr. Wilfred M. Post, Jr., of the Allentown-Bethlehem-Easton Airport. I notice that we also have here from Pennsylvania Mr. Harry Bellinger. I understand you want to testify separately.

Mr. Post, do you want to come forward, please?

STATEMENT OF WILFRED M. POST, JR., MANAGER, ALLENTOWN-BETHLEHEM-EASTON AIRPORT [PENNSYLVANIA]

Mr. Post. Mr. Chairman, I believe copies of my statement have been made available to you.

I would like, however, to read it briefly and maybe make a couple of additions that I would like to have included in the record.

My name is Wilfred M. Post, Jr., and I am the manager of the Allentown-Bethlehem-Easton Airport, and have been for the past 35 years. We are classified as a small hub airport and located in eastern Pennsylvania, 55 miles from Philadelphia and 90 miles from New York. It is served by Allegheny, Eastern, and United Air Lines, as well as by three commuter airlines—Altair, Monmouth, and Suburban.

Altogether, the three trunk carriers, Allegheny, Eastern, and United, only furnish 12 schedules a day. The commuters furnish about 35.

Our airport is operated by the Lehigh-Northampton Airport Authority, which is sponsored and subsidized by the counties of Lehigh and Northampton. They are two adjoining counties in eastern Pennsylvania.

It is a privilege to appear before this committee, and the 18 members of the governing board of the airport authority as well as the commissioners of the two sponsoring counties appreciate the opportunity of expressing these views in regard to the bill which you presently have under consideration.

We strongly support your efforts to broaden ADAP to include additional assistance in providing essential capital improvements. However, as owners and operators of one of the small hub airports, we look with great concern on any attempt to rule out the airport use charge now being collected at the Allentown-Bethlehem-Easton Airport—and as you will note, our use charge is \$2 per passenger enplaning on the certificated carriers and \$1 per passenger on the commuter airlines—as well as other small airports in the United States without providing a substitute for the loss of these revenues. Funding to meet the sponsor's share of capital improvements which have already been started as well as to meet the current federally mandated security and certification costs has been made on the assumption that we would continue to collect these airport use charges.

To be sure, expanded Federal participation in capital improvement projects is needed, but there is an equally urgent or even more urgent need to collect funds to offset the rising cost of operating expenses for which no Federal help is available.

The federally mandated security and airport certification costs will add \$70,000 per year to our operating expenses in additional fire and police payrolls alone. And we now believe this is a very conservative and not a low figure. This exposes us to a 15-percent increase in our operating costs.

We don't have a large budget. It is between \$500,000 and \$600,000 per year. And at the smaller airports, as you have heard today from people that have testified above, the airlines are not picking up these additional costs.

Our sponsors, Lehigh and Northampton Counties, recently assumed the burden of raising the funds needed to guarantee payment of the debt service on an \$11 million bond issue, the proceeds of which are to be used to provide adequate terminal facilities for the users of our airports. The local taxpayers are resisting additional taxes for airport operation and the two counties sponsoring the airport authority, have indicated their unwillingness to raise taxes for this purpose. That is, to increase taxes. A growing number of people using the airport come from outside the tax area of the two counties. Our county commissioners feel that these people should also help to support the airport.

The proposed increase of an additional 25 percent of Federal aid in construction projects and 32 percent in security items as provided in this bill as a step for airports of our size is a step in the right direction. But this does not nearly make up for the loss we would incur if collection of the airport use charge was prohibited.

For example, the applications we have pending for ADAP funds amount to \$3,200. Under the present legislation—existing rules, that is—ADAP would provide 50 percent of \$1,600,000. In Pennsylvania we have a State participating fund program if the State has money available. The State then would put in \$800,000 and we would have to raise \$800,000 locally. If the new bill were passed, the ADAP share would be increased to \$2,356,000. The State and local shares would be reduced to \$388,517. In other words, the increased benefits of this bill would only offset slightly more than 1 year's net proceeds from our airport use charge, and we would still have to raise \$381,517 locally.

And as you look at the attached financial statement, you will note that our airport does not generate this kind of income unless we get local subsidy or unless we have an airport use charge. Actually we are doing both at the present time.

And the elimination of the airport use charge without a substitute would pose a very serious problem, as the counties are expecting us to reduce the amount of their obligation to meet the service charge for the bond issue amounting to over \$700,000 annually.

The additional funds which would be made available to us for capital improvements by the bill presently under consideration would not fill the gap that would necessarily develop in our financing if our collection of the airport use charge were prohibited.

The airport use charge at our airport has been collected continuously since October 1972 by personnel of the airport authority. That is, we do it ourselves. Most of the other airports that have a use charge require the airlines to make its collection. The net proceeds from our charge average \$27,000 per month. All of it is used exclusively for the operation and development of the A-B-E Airport. This is shown in the brochure which is attached to this statement. This is what is handed to the passengers as they purchase their use charge ticket.

Even the airlines serving our airport acknowledged that our use charge collection system as we have established it has been successful.

The Chairman of the Civil Aeronautics Board has recently stated that he was concerned about the increasing airport landing fees to the airlines. The \$700,000 increased payroll costs alone would require an increase of 58 percent in the airline landing fees now being charged here. Our present fee is 23 cents per thousand pounds and that came after a great deal of hassle with the airlines, for many years they were only paying 11 cents a thousand pounds; and this would raise the cost up to approximately 35 cents per thousand pounds.

Sometimes we feel that this method of calculating airline landing fees is not an accurate way of doing it. The airlines attempt to compare. When we point out our need is 35 cents per thousand pounds, they answer, "Well, that is more than they are paying in so and so airport, or so and so airport."

Our answer is that we do not care what the rate is. It is what the rate achieves in total dollars that is important. We have said many times to the airlines, "We don't care how you whack it up among yourselves if you guarantee this amount. We don't care how many flights you put in, because our airport can handle a great many more flights."

As you well know, in the case of the small airports, runways cost that much to provide and keep open; and of course it doesn't measurably increase with the number of additional landings of aircraft.

If we are to survive and adequately serve the traveling public we must find ways to pay for the airports' growing operating expenses. The small airports must raise these funds from the passengers using their facility until some better method is devised to provide these much needed operating funds.

For many years a public-spirited and truly dedicated board of governors—and as you recall, in my opening statement I said our airport authority has a board of 18 men, who are all busy executives, professional people of the area—and they spend a great deal of time and energy, with the support of the county commissioners of Lehigh and Northampton Counties, to make adequate airport facilities available to the large area we serve. They feel that such facilities are absolutely necessary if the industrial development of our area is to continue and expand. Indeed, many industries which have moved into the area have made it clear that adequate airport facilities are essential to their operations. And also they have urged, and the counties do pay, a small amount of subsidy.

But the concern is that there is only so much they are prepared to continue. They are certain that you can only load a certain amount of subsidy upon the local taxpayers. Beyond that, it must come from somewhere else.

So, therefore, we implore you, the members of this committee and your colleagues in the House, to realize—and by your questions I gather that you are certainly familiar with the question—the plight of the smaller airports, and not rule out this charge. And, as I say again, not until some better method is devised to provide these much needed operating funds.

In conclusion, I thank you again for permitting me to make this appearance before you. I am taking the liberty of leaving with you copies of this presentation, together with copies of the financial statement of our airport, which covers the past several years and projects for a number of years in the future.

Thank you very much.

[The attachments to Mr. Post's prepared statement follows:]

PROJECTED OPERATION'S AND CAPITAL REQUIREMENTS

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY, ALLENTOWN-BETHEHEM-EASTON AIRPORT, ALLENTOWN, PA.

	Actual		Estimated				
	1971	1972	1973	1974	1975	1980	1985
Operating revenues.....	\$525,249	\$604,050	\$622,000	\$650,000	\$700,000	\$1,325,700	\$1,865,400
Add projected emplaning fees income.....	0	87,951	380,000	420,000	460,000	680,000	920,000
(Emplaning passengers).....	(157,805)	(176,971)	(190,000)	(210,000)	(230,000)	(390,000)	(460,000)
Revised operating revenue.....	525,249	692,001	1,002,000	1,070,000	1,160,000	2,005,700	2,785,400
Operating expenditures.....	508,298	566,459	662,300	691,400	757,000	1,052,600	1,467,600
Net income from operations.....	16,951	125,542	339,700	378,600	403,000	953,100	1,317,800
Less capital expenditure commitments principal payments on loans:							
Bethlehem Steel land notes.....	35,000	25,000	15,000	15,000	15,000	15,000	0
Jet hangar loan.....	32,630	34,044	35,500	37,058	38,664	47,801	59,096
Restaurant improvement loan.....	6,300	6,300	5,900	0	0	0	0
Rotary snow plow plan.....	15,000	15,000	0	0	0	0	0
Parking lot loan.....	25,000	20,000	0	0	0	0	0
Subtotal.....	113,930	100,344	56,400	52,058	53,664	62,801	59,096
Capital improvements:							
Purchases of field and other equipment.....	108,448	38,803	55,000	55,000	55,000	55,000	55,000
Debt service, requirement, new terminal project.....	0	0	0	0	735,000	734,200	730,800
Total capital requirements.....	222,378	139,147	111,400	107,058	843,664	852,001	844,896
Balance available or short (-).....	-205,427	-13,605	228,300	271,542	-440,664	101,099	472,904
Paid by counties.....	350,000	350,000	350,000	350,000	0	0	0
Available for local share of Federal projects.....	144,573	336,395	578,300	621,542	-440,664		
Cumulatively available.....	144,573	480,968	1,059,268	1,680,810	1,240,146		

Note: Sponsors' share of FDAP projects--In progress \$647,000. Applications pending \$800,000.

WHY THE AIRPORT USE CHARGE ON ENPLANING PASSENGERS

(Lehigh-Northampton-Airport Authority, Allentown-Bethlehem-Easton Airport)

In order to help finance needed capital improvements and additional operating costs, the Board of Governors of the Lehigh-Northampton Airport Authority has found it necessary to make an airport use charge on Enplaning Passengers.

Most of the smaller airports do not generate enough income to amortize their capital improvements and the ever growing operating costs. Yet, if they do not keep pace with modern air traffic demands, they will lose the air service which is so vital to a progressive community.

Essentially the same length of runway is required to safely handle a jet airliner at A-B-E as it does at New York or Chicago. Mandated Security and Certification standards imposed by the Federal Government are increasing the costs of operations. Additional required capital expenditures for emergency equipment alone is expected to cost over \$200,000 plus the continued cost to provide extra personnel. The volume of airline operations does not produce sufficient income to cover these costs.

The Lehigh-Northampton Airport Authority, together with its sponsoring counties of Lehigh and Northampton realize these needs and have developed a long range airport master development plan to provide these improvements. Some of the construction is either in process or ready to go out for bids, such as a new adequate passenger terminal building.

The airlines are paying as much or more per passenger for their use of A-B-E than at many airports they serve. The Federal Government contributes 50% of the cost of most of the landing area improvements and the State of Pennsylvania's share amounts to 25%. Each of the two counties contributes substantially each year toward the construction and operation costs.

But all these revenues are still not sufficient to provide the improvements and federally mandated programs required to continue airline service at A-B-E.

It now becomes necessary to supplement these funds with an airport use charge.

We hope that you, the user, will cooperate in the payment of this charge with the knowledge that you are doing your part and with the guarantee by the Airport Authority that the revenue will be used solely for the development and operation of your A-B-E Airport and for no other purpose.

PAUL E. LENTZ,

Chairman.

WILFRED M. POST, JR.,

Airport Manager.

Mr. ADAMS. Thank you very much, Mr. Post.

Mr. Shoup?

Mr. SHOUP. Very briefly, my compliments. I think it is a very fine presentation you have here; although it runs somewhat counter to the majority of comments we have had concerning the head tax, and certainly you know our concern that we have for local airports to levy a head tax.

I would ask you a question. You referred us to your operating statement in the past. I think you said that you charged \$2 per passenger for other than commuter lines?

Mr. POST. This is correct; yes.

Mr. SHOUP. I notice in 1973, in which you will be collecting a full year, you are going to have 190,000 passengers, and yet each one of those you figure will pay \$2. You do not have much in the way of commuting air traffic? Am I correct in my reading of your statement?

Mr. POST. That figure is growing but does not represent a large amount of it. That could be refined somewhat and perhaps the estimate is a little overoptimistic.

Mr. SHOUP. A few direct questions so that I get your position.

Are you in favor of increasing the percentage from 50 percent to 75 percent for participation by the Federal Government in capital improvements?

Mr. POST. For the smaller airports; yes. We are talking about principally the medium hubs down to the nonhub airport.

Mr. SHOUP. Are you in favor, then—within the bill I think something like 25 airports are excluded from this increased participation.

Am I correct on that?

Mr. DIXON. Twenty-two.

Mr. SHOUP. Twenty-two.

Then what is in the bill you basically subscribe to?

Mr. POST. Unless these airports have the need, but generally speaking, the average of the larger airports don't need it as much as the smaller airports.

Mr. SHOUP. You are familiar, of course, with the restrictions where these funds can be spent?

Mr. POST. Very definitely. That is one of the problems.

Mr. SHOUP. Would you be in favor of enlarging the areas in which this trust fund can be spent?

Mr. Post. Yes.

Mr. SHOUP. To certification requirements?

Mr. Post. Very definitely.

Mr. SHOUP. On the certification requirements, do you have a position as to what percent the Federal participation should be?

Mr. Post. I would say anywhere up to 100 percent. We will settle for anything.

Mr. SHOUP. That certainly is in the ball park, isn't it?

Mr. Post. No, we realize that there should be some local participation.

Mr. SHOUP. Are you familiar with this? We have run all the way from 50 percent to 100 percent on that particular item. This is certification requirements.

Mr. Post. Yes.

Mr. SHOUP. Airport terminals' participation.

Mr. Post. The public areas, the access roads; not the areas in which definite revenue is being received, but the areas that have to be provided for the public convenience and safety.

Mr. SHOUP. Let's move on into the area of maintenance and operation. With regard to Federal participation from the ADAP fund—would you favor use of them in maintenance and operation?

Mr. Post. If the use charge was going to be eliminated, I would say very definitely "Yes."

Mr. SHOUP. This would include both the maintenance and operation of the facility itself, plus the maintenance and operation of certain certification needs?

Mr. Post. Correct. The average small airport is not looking to make a profit. We feel if we can make ends meet we are doing awfully doggone well.

Mr. SHOUP. I would ask you a question where possibly you would help us because you have demonstrated here that you are very successful with your landing fees. You have also stated—

Mr. Post. Not landing fees, use charges.

Mr. SHOUP. User charges. Head tax.

Mr. Post. We call it a use charge and we find there is quite a distinction there.

Mr. SHOUP. All right; a user charge.

With your generated traffic enplaning, do you find that you can at this charge, \$2, meet your costs?

Mr. Post. Yes.

Mr. SHOUP. Would you have any suggestions how the small airports could meet their costs? Because certainly user charges are not practical.

Mr. Post. I agree that there is a problem and there should be a better way of handling this. Perhaps it should come, as has been suggested, either as a percentage out of the present 8 percent or an increase made to it on a reverse scale, the smaller airports needing the greater amount, down to larger airports which need the smaller amount. I think it is going to have to be demonstrated on a need basis, however.

Mr. SHOUP. This would mean that this is actually maintenance and operation out of the present 8 percent, if an airport demonstrates a need.

Then the thrust of your testimony is that you have an operation which you are satisfied with. You are requesting that it be kept in operation until a better way is shown.

Mr. Post. This is right.

Mr. SHoup. I have no further questions.

Mr. ADAMS. Mr. Skubitz?

Mr. SKUBITZ. Mr. Chairman, I am sorry to be late. I have had a delightful experience this morning, riding Amtrak.

May I suggest, Mr. Chairman, if the airports continue to charge a head tax, they will have all of us back on Amtrak in no time at all.

Mr. ADAMS. Thank you very much, Mr. Skubitz.

Thank you, Mr. Post. We appreciate your being here and your testimony.

The next witness is Mr. Harry Bellinger, director of commerce of the city of Philadelphia, and he is to be accompanied by Mr. Lennox Moak, director of finance.

**STATEMENT OF HARRY BELLINGER, DIRECTOR OF COMMERCE,
CITY OF PHILADELPHIA, PA.; ACCOMPANIED BY LENNOX MOAK,
DIRECTOR OF FINANCE**

Mr. BELLINGER. Mr. Chairman and members of the committee; I am director of commerce and also a member of the mayor's cabinet responsible for the operation of the Philadelphia International Airport.

In exercising that responsibility I work very closely with Mr. Moak, who is the finance director and concerned with the fiscal implications and burdens, if you will, of operating a major airport.

Philadelphia's International Airport is very much like Washington's. If you would look at the pictures of them you would see the similarity. Both front on a river. Both are landlocked. And as I say, we have many similar problems.

Today you have heard a series of witnesses and I think you have touched on some of the basic things that I would like to talk to you about.

One has to do with rights; another has to do with destiny; a third has to do with convenience. And the fourth really has to do with responsibility.

Now, we are surely familiar with women's rights and civil rights and Indians' rights, but I am here to talk to you about city's rights. We feel that we have certain rights and we have certain responsibilities in operating an airport.

Now, Congress certainly has the right to regulate interstate commerce. I don't know if you have the responsibility to pay the full cost of exercising such rights. But in Philadelphia we operate an airport. The taxpayers of Philadelphia—and I emphasize "the taxpayers of Philadelphia"—have paid in full the initial cost and are continuing to pay in full the initial cost of the development and expansion of that airport.

This is a regional facility. It serves three States. Eighty-eight percent of the people who use that airport do not live in Philadelphia and do not share in that burden of paying those initial costs.

This brings us to really the reason why we are here, the user's charge.

Now, Mr. Shoup mentioned earlier that there was a popular reference in the press to "head tax." That may fit a headline but to us it is an extremely important distinction. We say it is a user's charge. Mr. Shoup has indicated that he finds it not practical. We happen to be the first major airport in the country to institute such a charge, and quite frankly we find it very practical because it enables the people using that airport to enjoy sharing the burden that has primarily been and privately been that of the taxpayers of Philadelphia in the past.

We find ourselves at somewhat of a disagreement with our primary tenants, the airlines, despite what Mr. Mitchell said, that the big airports often are not concerned, or siding with the airlines. We have been accused of many things in Philadelphia, but it has never been with siding with the airlines.

We often find ourselves, if you will, in an adversary position with the airline. And I think that is unfortunate because we are both primarily concerned with the same people, the people using the airport. But they, as has been pointed out here earlier, are companies that must make a profit. And they are in a highly competitive business.

And they have many problems that you gentlemen are really more familiar with than I. But the fact remains that the person we are both concerned with is the person using that facility.

There is a problem, however, that we are concerned with the total convenience. The airlines' concern can diminish or even disappear once that person gets off the airline.

This again, as I say, often brings us into conflict with the airlines.

In Philadelphia we have just opened a new runway, a \$22 million runway, which is one of the two best-equipped runways in the world. The latest planes are flying in and out of Philadelphia. We are on the threshold of a \$25 million expansion program. We already have \$13 million in contracts let, another \$25 million in contracts out on the street for bids.

By the end of the year we will have up to \$60 million of construction underway.

Now, we are building a terminal, expanding our terminal. We will not have an important ingredient when we are finished, and that is multitier parking. We will be forced to operate in remote parking lots. And the reason we will not have it is because the airlines feel that it is not their responsibility to get into the parking business.

However, it is our responsibility to make that trip, that complete trip as easy and as pleasant for the person using that airport as possible.

It is our responsibility to make the highways to and from that airport, to hopefully see that they are as adequate as possible. And again we get into an area of conflict, both with the airlines and the State highway people and the Federal highway people.

Another major concern that has got much publicity in recent months is the problem of security. The FAA handed down orders in December that an armed guard would be at every checkpoint in the airport.

We completely support those security measures. We happen to view security as a major concern. However, the reaction to these security

regulations was varied across the country. Some airlines even have joined in a suit to stop it. We didn't poin in that suit. We believe you cannot do without security. It is a sad commentary on our times that this money has to be spent for this kind of a problem, but those are the facts of life.

Now, in Philadelphia our mayor, Frank Rizzo, happens to be a very firm believer in security. He takes the Federal regulations one step further. They say "an armed guard." He says:

If you are going to put a man in a crowded terminal with a gun he had better be the best qualified man you can find.

We take it one step further and want a Philadelphia policeman in there, fully qualified, fully trained, among the best policemen in the country. They are going to staff our station. That is the decision. The initial decision to increase our operating budget by 20 percent; the mayor's decision to use police increased that another 10 percent, so we are talking about a 30-percent increase, or about \$500,000 a year.

In addition, we are monitoring very closely the checkpoints that we have already set up. And they have been working fairly well—and I say "fairly well," because you hit peak periods when you really stack up.

Again, it is much like you have here in Washington. Now, these went into effect in February. This is not a peak period of travel in Philadelphia. As we approach the Easter week, this will really be put to the test. We may have to make further adjustments. And again, you are talking about tremendous outlays of funds. But we are concerned with the convenience of the people using that terminal and we feel that the responsibility and the right and the means, if you will, to provide the additional security, and the additional convenience, is ours.

Now, one of these bills, 2695, is referred to as the Airport Development Acceleration Act of 1973. We urge that you pass that, but we urge first that you strike section 1113(a). This is the section which prohibits the user's charge. Because if you do not, this bill to us becomes in Philadelphia a very ironic contradiction in terms.

Rather than accelerate the development of our airport, it will impede it; and furthermore, it will add greatly to the inconvenience of the people using that airport. I think really that is what you people are trying to do here.

Now, you have heard several people from several different cities. The numbers change and the problems really are different. The first gentleman wanted to build a new runway—Mr. Boyd. The second gentleman, Mr. Mitchell, was concerned with the increase in operating costs and security costs, and so was Mr. Post from Allentown.

Each airport is different. Here in Washington you have two airports. Your problems at National differ greatly from your problems at Dulles. I can boil them down in the simplest words.

At one airport you have too many people; at the other, you don't have enough. It would take a collection of Solomons to come up with a standard formula to satisfy the problems at 532 airports across this country. If you have that wisdom I would be greatly impressed.

But if I may suggest: leave the local cities, the local operators, some flexibility to determine their own destinies, if you will, to determine their own responsibilities, to meet those responsibilities. Without that we are just going to have chaos.

I might add two other quick things. One of the basic objections to the user's tax was that it would impede traffic. In Philadelphia, the first major airport to impose such a charge, it did not impede traffic. As a matter of fact we had some dramatic increases where we thought we would be most vulnerable, particularly in foreign charters.

No. 2. We are concerned with a variety of charges. That is the concern that I think should be shared. If I may point out, a motorist in New Jersey who drives into Philadelphia has a choice of three bridges: two charge 60 cents; another charges 5 cents. Yet when that same motorist drives into New York, he pays a dollar to get into that city.

So there are existing charges that vary dramatically. So I don't think there are standard charges because there are not standard problems, and there are not standard solutions.

Please leave us an area to operate. We need certain flexibility. We cannot come to you for everything. We do not want to argue with you about the 8 percent. We do not want to argue with the airlines. If something is wrong we want the responsibility to correct it without getting into extended negotiations.

Thank you.

[Attachments to Mr. Bellinger's statement follow:]

SCHEMULE I
PHILADELPHIA AIRPORT'S REVENUES & COSTS 1945 THROUGH F. Y. 1973
TOTAL OPERATIONS
(IN THOUSANDS OF DOLLARS)

Year	Total Airport Revenues	Total Expenditures	Charges to Airport Taxes & Insurance	Total	Gain (or Loss)	Interest on Cumulative Loss	Total Cumulative Loss	Interest Rate Used
1945	40	433	296	729	(689)	-	(689)	-
1946	86	815	296	1,111	(1,025)	13	(1,727)	.0185
1947	161	899	361	1,260	(1,099)	41	(2,866)	.0236
1948	167	915	361	1,350	(1,183)	63	(4,112)	.0219
1949	189	1,453	566	2,019	(1,830)	85	(6,027)	.0207
1950	307	1,475	588	2,063	(1,756)	100	(7,883)	.0166
1951	384	1,555	583	2,138	(1,754)	166	(9,804)	.0211
1952	436	1,695	593	2,288	(1,852)	235	(11,891)	.0240
1953	537	2,430	550	2,980	(2,443)	302	(14,636)	.0254
1954	1,072	2,620	550	3,170	(2,098)	348	(17,082)	.0238
1955	1,268	2,713	550	3,263	(1,995)	437	(19,515)	.0256
1956	1,496	3,043	550	3,593	(2,097)	630	(22,242)	.0323
1957	1,813	3,464	618	4,082	(2,269)	661	(25,172)	.0297
1958	1,985	3,807	630	4,437	(2,452)	856	(28,480)	.0340
1959	2,206	3,757	630	4,387	(2,181)	1,077	(31,737)	.0378
1960	2,610	3,799	665	4,464	(1,854)	1,076	(34,667)	.0339
1961	3,050*	3,885	689	4,574	(1,524)	1,168	(37,359)	.0337
1962	3,238	4,414	744	5,158	(1,920)	1,139	(40,419)	.0305
1963	3,350	4,466	744	5,210	(1,860)	1,318	(43,596)	.0326
1964	4,214	4,883	783	5,666	(1,452)	1,338	(46,387)	.0307
1965	4,822	4,743	791	5,534	(712)	1,637	(48,736)	.0353
1966	5,414	5,260	883	6,143	(729)	1,832	(51,298)	.0376
1967	6,692	5,739	883	6,622	70	2,334	(53,561)	.0455
68-69*	12,616	9,130	1,893	11,023	1,593	3,977	(55,945)	.0495
69-70	10,317	7,163	1,027	8,190	2,127	3,905	(57,723)	.0698
70-71	11,033	8,676	1,377	10,053	980	4,329	(61,072)	.0750
71-72**	11,698	7,329	1,379	8,708	2,990	4,061	(62,143)	.0665
72-73 Est.	18,116	10,342	1,379	11,721	6,395	3,635	(59,383)	.0585

* 18 Months

** Provides full cost of debt service for year; budget change in year resulted in only one-half amount shown as interest payment.

SCHEDULE II.—CITY OF PHILADELPHIA FISCAL 1974 OPERATING BUDGET, AVIATION
FUND

Estimated expenditure requirements—classified

	<i>Millions</i>
Personal services.....	\$2.7
Purchase of services.....	.9
Materials and supplies.....	.4
Equipment.....	.3
Contributions, indemnities, refunds and taxes.....	1.1
Debt service.....	7.4
Payments to other funds (see detailed schedule attached).....	10.8
Total estimated expenditure requirements.....	23.5

SCHEDULE IIA.—CITY OF PHILADELPHIA FISCAL 1974 OPERATING BUDGET, AVIATION
FUND

Schedule of payments to other funds

Police protection services.....	\$940,400
Fire protection services.....	1,122,640
Snow removal.....	30,000
Electricity.....	800,000
Telephone.....	58,000
Gas.....	108,000
Liability insurance.....	84,000
Payment in lieu of city property taxes.....	1,351,000
Payment to amortize past debt.....	6,000,000
Services by other city agencies.....	200,000
Workmen's compensation.....	2,700
½ of 1 percent of class 100 for personnel costs.....	13,298
Subtotal.....	10,710,047
Payment to sewer fund.....	25,000
Payment to water fund.....	35,000
Total payments to other funds.....	10,770,047

SCHEDULE III.—CITY OF PHILADELPHIA FISCAL 1974 OPERATING BUDGET, AVIATION
FUND

Revenue estimates

Space rental and landing fees.....	¹ \$8,698,074
Concessions and other revenue.....	6,562,250
Reimbursement—Federal and State.....	32,500
Total revenues from operations.....	15,292,824
Airport passenger service charge.....	11,250,000
Less cost of collections (2 percent).....	-225,000
Net airport passenger service charge.....	11,025,000
Reimbursement—capitalized debt service.....	1,778,176
Total revenue.....	28,096,000
Total estimated expenditures.....	23,500,000
Add:	
Reserve for reduction in fees payable for landing and rentals....	2,298,000
Payments to airport reserve account.....	2,298,000
Total.....	28,096,000

¹ Net payable to airport after allocation of \$2,298,000 equals \$7,015,074.

Mr. ADAMS. Mr. Shoup?

Mr. SHOUP. Thank you Mr. Chairman.

Your airport has become rather infamous throughout the hearings we have had. I have heard of the Philadelphia airport quite often, and the user charges or specifically the head tax, as it has been referred to.

There are quite a few allegations. I would like to hear from you. You are saying that I, as a user of your airport, should experience the joy of using it by being charged additionally.

I understand that this money then goes to maintain the airport and provides the facilities for me.

Mr. BELLINGER. I think Mr. Moak can get into that a little better than I. You are probably leading up to the fact that last year we didn't have an airport fund. We never had an airport fund to Philadelphia, as I mentioned. It was developed and supported out of the general fund by the taxpayers of Philadelphia.

This year we are setting up a separate airport fund. We would have had one last year if this hadn't developed. With this new administration we are changing. It would have been done last year—

Mr. SHOUP. I did not mean to lead you into something. The allegation has been made here that the user charges have been used to pay police and fire retirement.

Mr. MOAK. May I respond.

Mr. SHOUP. If you would, please.

Mr. MOAK. On the schedules which have been distributed, I believe, to you—

Mr. ADAMS. They have. And without objection, Mr. Skubitz or Mr. Shoup, I would ask that the schedules which have been supplied to the committee be made a part of the record immediately following Mr. Bellinger's statement.

Mr. SHOUP. I have no objection.

Mr. ADAMS. It is so ordered.

Mr. MOAK. Last year when I appeared before this committee we developed a set of schedules similar to this, but from which we deleted the parking operations. And there were some objections raised here and there have been some objections raised in other quarters, that in the process of looking at the historic picture, at least retrospectively we should look at the airport and the parking facilities as an entity, rather than drawing a line at the front door, as we shall for our accounting as we move into this picture.

If we look at this the cost to Philadelphia of developing these airports from 1945 to date: in terms of cash flow, debt service is included in expenditures here. Capital outlays payable from bonds funded are not included; only the debt service related thereto.

Federal funds are generally excluded for capital purposes, are totally excluded from these costs and from the revenues.

You will note that through the years, from 1945, we had a substantial loss in each year up through 1966, I presume it is. Since 1966 we have had an annual positive flow of cash, ranging considerably, depending upon certain work which we had to do at the airport.

In the current year we estimate that there will be a positive cash flow of \$6,300,000, of which about \$5,900,000 is the user charge. The user charge is in column 1 as a part of the \$18 million revenues for this year.

Mr. SKUBITZ. Is the \$6,395,000 recorded under the gain or loss column?

Mr. MOAK. Yes, sir. Of that approximately \$5,900,000 is to be derived from the user charge. So that, looking at this as a business proposition, from our point of view, the city has made these advances through the years. We paid off our debt service relatively early through the years; 20-year bonds in most cases.

Therefore, we believe we are entitled to interest upon the funds which we advanced from the general taxpayer funds for airport purposes; and conversely, when there are favorable balances, in casting the accounts, we have given credit to interest on those in coming to the conclusion.

So that at the end of 1962 we showed approximately \$2 accumulated adverse position. By the end of 1973 we hope that will be reduced to \$59 million. And this year, the money from the airport service charge goes into the general fund. All of the charges payable are paid from the general fund.

For fiscal 1974 we are developing a separate aviation fund. There are several reasons. One is, in order that we can better set forth for the benefit of everyone concerned what the revenues and expenses relating to the operation of the airport are, on a continuing basis.

Second, we will be going to revenue bonds this fall and it is necessary for us to have such an accounting statement in the case of the use of revenue bonds.

In schedule 3 these were not put together in quite the order in which I wanted them. Schedule 3 is the summary projection of the aviation fund operation in fiscal 1974, with the receipts from the various primary sources shown there.

It is our intent, in the renegotiation of the contract with the airlines now in process, to establish landing and space rental fees at a level which would gross about \$8,700,000. It is our intent, also, to make a part of the air passenger service charge available as a reduction to those fees, if that charge is continued in force.

If we are successful in the Supreme Court in sustaining the position established in our lower courts and if the Congress does not deny us the right to continue this service charge, we expect to gross about \$11 million from the year's service charge.

In schedule 2(a), you will note that we propose to pay \$6 million toward the amortization of the historic debt that is shown on schedule 1 of \$59 million. We proposed to pay the general fund, in review of property taxes, \$1,351,000.

The remainder of the revenue derived from the \$11 million after taking the six off will be first devoted to financing the security costs, and the remainder will be divided into two parts, shown at the bottom of schedule 3. One is a reserve for reduction of fees payable by the airlines, and the other is to an airport reserve account, in order that we can move forward toward parking and other improvements, which we do not want to assess to the airline if we can avoid it.

In issuance of our revenue bonds, we do not wish to follow the Chicago pattern. The Chicago O'Hare pattern is fundamentally a pattern in which the airlines agree to pay a combination of fees, which, taken together with other concessions, rentals, and revenues, will enable you to operate the airport. And you have to have in many cases, where

this pattern exists, and revenue funding—you have to have the approval of the airlines in order to issue additional debt.

In contrast to this, we prefer the Port of New York Authority method, in which there is a severance of the relationship between fees paid and the bonding, the bonds that are issued. This is very important to us, because, as Mr. Bellinger has indicated, we need a number of facilities, in relation to the airport, which are of rather minor interest to the airlines.

We have to park now—what is it? Three-quarters of a mile from the front door is our major parking facility. We want to bring this close at hand.

Mr. SHOUP. I want to get back to my question.

Mr. MOAK. So the money that is going to things other than airport expenses, under the projection for next year, would be in repayment of this debt of about \$6 million. The remainder of it would be in support of general airport operations, including the police, including a payment of that portion of the police pension fund cost allocable to the man who are serving at the airport, but not to any other people.

Mr. SHOUP. The receipts that you had, this entire schedule, goes into the general fund of the city of Philadelphia?

Mr. MOAK. The receipts now.

Mr. SHOUP. All receipts go to the general fund?

Mr. MOAK. At this point all receipts go to the general fund, except water, sewer, and some State highway moneys which are required by law to be separated and some Federal grants.

Mr. SHOUP. If, then, it were the decision of the city council, or whoever makes your decision in the city of Philadelphia, that these expenditures, as are listed in schedule I would be allocated differently, there is no requirement that user charge fees will be used for airports? There is no restriction? These funds may be used anywhere the council sees fit?

Mr. MOAK. We have no dedication of revenues. In the process of levying charges and taxes in Philadelphia, there is no dedication to a specific purpose.

Mr. SHOUP. Mr. Bellinger, may I ask: It has been stated here that not only are you retiring the fund, the money expended previously, but you are also charging interest against those that use the airport at the present time, against past expenditures, with the obvious intent of reclaiming every penny of local money that has been expended, plus interest, from today's user.

This, then, means to me, that you do not feel that the people at Philadelphia have any obligation. You remember Mr. Adams' point, that he made very well, I think, that there are benefits derived from an airport other than just the passenger himself.

Mr. BELLINGER. Let me say that I happen to think that an airport is a tremendous economic generator. But I emphasize the fact that the airport in Philadelphia was developed and funded and operated by the taxpayers of Philadelphia.

Now, we are in a 5-million area—population of about 5 million people. Most of the 5 million people in that area, most of the businessmen in that area, have benefited tremendously from the commerce brought in through that airport.

But the development of that airport, the funding of that airport, the operation of that airport, has been the responsibility only of the people in Philadelphia, not the people in the surrounding counties. Not the people in the surrounding States, although they enjoy and profit by that airport.

Mr. SHOUP. This is 100-percent reclaiming?

Mr. BELLINGER. I think Mr. Moak can address himself better to that. But I want to emphasize that we fully appreciate the value of that airport, not only to the city but the entire region. The whole purpose of this user's charge is to share the responsibility for the development of that airport so we can accelerate the development, if you will.

Because—and I emphasize—88 percent of the people are not from Philadelphia. If you fly into Philadelphia—perhaps you are in Philadelphia and rent a car and go to the airport and return—you have to get on a bus and drive to a remote parking lot. We should have multi-tiered parking facilities right in front of the airport. And we will have, but when, is directly related to such additional sources of revenue as this.

If you today tell me about a moratorium, if you will give me a moratorium of 10 years on the prohibition of such charges, I will go back today and start building two of those garages so that they will be ready for 1976. But you can't operate and you can't develop and make these tremendous long-range expenditures when you are not sure of your sources of revenue.

Mr. SHOUP. One final question, Mr. Chairman. I suppose Mr. Moak could explain to me very briefly: Last year there were \$5,900,000 of user charges; this year you project \$11,250,000, close to twice as much. What is the increase?

Mr. MOAK. Two factors. One is that we had one month in which a charge was collected but not remitted to us within the fiscal year. So this year's cash receipts only represent eleven-twelfths of the total year.

More importantly, up to this point there has been a large percentage of the people from whom the airlines apparently have not collected the charge.

Now, the airlines, under our ordinance, are responsible for collecting the charge. If they do not collect it then they are responsible for paying us for the charge which they have failed to collect. This is in litigation. We do not anticipate that this litigation will be concluded by June 20th, and therefore we think that the \$5.9 million is about all we are going to get from the airlines in cash this year.

On the other hand, next year we expect to get a full year's collections on our passengers. And, as a matter of fact, if we are successful in our claim against them, the cash flow next year would be even greater than the \$11 million shown here, because they will have to pay back the portions which have not been collected and remitted to us.

Mr. SHOUP. The charge is for enplaning? Or deplaning? Or both?

Mr. MOAK. Enplaning. It was originally both, sir, and it became administratively unfeasible and was changed to the single enplaning.

Mr. ADAMS. Mr. Skubitz?

Mr. SKUBITZ. I have a few questions, Mr. Chairman.

Sir, the cumulative loss of \$59,383,000; what does this include?

Mr. MOAK. Well, it is taking this as if it were a business, which it is, and starting at the beginning, in which the city, as the stockholder, advanced cash sufficient to build the airport and to operate the airport. And the difference between what we received as revenue, what we had to pay out, and the interest upon that differential comes down to the \$59 million.

Mr. SKUBITZ. Now you want the user to pay back the \$59 million investment; is that correct?

Mr. MOAK. We want them, over time, yes, to pay us for this investment.

Mr. SKUBITZ. And how much of the user tax do you intend to apply against this \$59 million? How much for the year 1973, for example?

Mr. MOAK. Six.

Mr. SKUBITZ. So, in about 9 years the city will recoup its investment?

Mr. MOAK. No.

Mr. SKUBITZ. I forgot: you want interest on the investment. You want 6 percent interest. We are talking about the City of Brotherly Love right now, are we not?

Mr. MOAK. I notice when I borrow money I have to pay interest on it.

Mr. SKUBITZ. And when you borrow money from Uncle Sam you want a low rate of interest?

Mr. MOAK. We have never borrowed money from Uncle Sam except in the redevelopment program, where it is the basic pattern.

Mr. SKUBITZ. You have no low-cost housing projects in Philadelphia?

Mr. MOAK. Well, I think we have a lot of them.

Mr. SKUBITZ. I think you have. Those are low-cost loans and you don't pay 5 percent on that.

Now, the \$18 million in total airport revenues—does that sum go into the city general fund? Is that the practice in Philadelphia?

Mr. MOAK. As of this time, all operations, all of the airport operations are operated through the general fund. They have been throughout all of the years.

It was our intent last year to try to get an airport fund established. Along came this service charge and the circumstances were such that the Council told us: "Let's leave it where it is," because if we set it off as a separate fund at that time, and then the service charge had been declared unconstitutional, we might have been in a position of violating certain elements of our charter.

Mr. SKUBITZ. I recall last year you testified that some \$2 million in profit was derived from the parking areas that you also applied to the general revenue fund of the city. Isn't that correct?

Mr. MOAK. In the statement I made last year, the figure of \$59 million that I have here now was recorded as \$96 million. This is because I separated out the parking operations away from the terminal and field operations. The table last year related only to terminal and field operations. This year's table is the totality of terminal, field, and parking.

Mr. SKUBITZ. Well, let's get down to some plain understandable facts. You used parking area income last year for other than airport development. That is what you said last year. Is that correct?

Mr. MOAK. Yes, that is correct.

Mr. SKUBITZ. And you consider the parking area surrounding the airport is not a part of the airport in Philadelphia; is that a correct statement?

Mr. MOAK. I consider that it is inappropriate for cost accounting purposes to include the parking area, the hotel, as being an airport function. And as a matter of fact, much of the land on which the fees were generated are not lands that are part of the airport in any sense. They are across the major highway, away from the airport.

They are lands in which financing of the cost thereof is in no way reflected in this table.

Mr. SKUBITZ. How much profit did you make on the airport last year?

Mr. MOAK. I figure, including straight cash flow—

Mr. SKUBITZ. How much net profit did you make from the airport parking?

Mr. MOAK. By my definition, a loss of \$1,100,000. By cash flow, if I include my interest in here, we are making—

Mr. SKUBITZ. I am concerned now only about the parking area, where you charge the user a fee to park on your parking lot? How much net profit did you make on that operation?

Mr. MOAK. Excuse me. I will have to get another table to answer your question.

Mr. BELLINGER. If I may, while Mr. Moak is getting the other table: Recovery of historic debt is not unique to Philadelphia. San Francisco is doing the same thing. The difference is the airlines figuring it into their basic rates and charges. It is as true as I am sitting here that it will come up in other airports.

If I may, as you say, get down to common language: In talking with the airlines, I said, "When we were doing business a few years earlier, we were growing boys and needed help. You come of age and like all adults you should pay your own way. It is quite that simple.

Mr. MOAK. This data is not complete, sir, but to the best that I am able to answer your question, from the data I do have available: the parking areas generated about \$2,300,000 in revenue for the city.

I do not have the expenses, if any, which we incurred allocated against that.

Mr. SKUBITZ. You separate the parking area income from the airport income?

Mr. MOAK. I did in the table I presented last year. It is not separated in the testimony before you today, schedule I.

Mr. SKUBITZ. But you do that because it is not inside of the airport building; is that correct?

Mr. MOAK. Well, our reason for wishing to do it for the future is, fundamentally, that we want to bring parking up near the terminal facility.

Mr. SKUBITZ. Your reason last year was that you wanted to show a loss in your operation. Isn't that correct?

Mr. MOAK. No. I have a fundamental position, that the terminal and field should be self-sustaining, over time, as an entity.

Mr. SKUBITZ. You would not have much of a parking income out there without an airport, I would think. And there would not be any profit without the airport, would there, sir?

Mr. MOAK. Well, I guess that that is probably true.

Mr. SKUBITZ. I would like to go back to the early hearings on this, to see what Philadelphia spokesmen said when they asked for funds to develop the airport. I imagine they made at that time all sorts of offers of the things they were going to do for the users and the airlines in order to get the funds to build the airport. All the municipalities made the same pitch.

But, at this particular moment it appears that the airport in Philadelphia has become a profitable operation. And you now want the people who land there and the people who leave there to pay off a \$59 million debt you incurred to build an airport.

Do you invite tourists to come to your city? Do you invite conventions to come to your city? And if you do, is it to secure the \$3 head tax, or because of the amount of money the tourists are going to spend in your city?

Mr. MOAK. I hope we get both the \$3 and the usual benefits derived from tourists.

Mr. SKUBITZ. I will do my best to see that you do not get the \$3.

Thank you, sir.

Mr. BELLINGER. But if I may respond to your question about tourists and conventions: that is another fallacious argument, if I might add. Such charges discourage conventions and discourage tourists? It just does not hold water. And the facts will support this. We have had now 10 months' experience with this charge.

Philadelphia, if I may put in a "commercial," happens to be what I feel is the most important tourist attraction in this country. Every American should visit that city once. And I do not think that that decision will rise or fall on whether or not he has to pay a users' charge.

Mr. ADAMS. Let me ask a couple of questions, since my colleagues have finished and I have heard your explanation of it.

In your figure here, that represents a \$59 million total cumulative loss. Was this airport built under the original Federal program, where we went into 50-percent matching funds and so on, on runways and on towers and so on?

Mr. MOAK. All Federal and State—we have some State assistance in the airport—all Federal and State assistance has been netted out of both the revenue and expenditure side.

Mr. ADAMS. I understand that, but suppose the Federal Government were to claim from you on a business basis the moneys that they have put into the runways and the other facilities there. I would gather that that would come up to a very substantial sum. would it not?

Mr. MOAK. I am sure it would and we would have to raise the service charge a bit higher.

Mr. SKUBITZ. Mr. Chairman, don't forget the Federal Government is also entitled to the interest charge, if we are to follow the Philadelphia plan.

Mr. ADAMS. Just a moment. What we are getting at is that governmental units here have been trying to create a national airport system. And to do this a substantial amount of money has been poured into Philadelphia, as elsewhere. I do not know of anyone on this committee or elsewhere that is trying to establish a historic debt to collect that back from any city. Do you?

Mr. MOAK. Would you restate your question? The last sentence, I missed a word.

Mr. ADAMS. What I am saying is: do you know of any proposal before this committee or elsewhere, where the Federal Government is proposing to collect a historic debt for moneys we have placed into the construction of local airports by Federal matching funds?

Mr. MOAK. The answer, insofar as the Federal Government is concerned is "No." The answer, insofar as the city of San Francisco is concerned, is "Yes."

Mr. ADAMS. Well, we will get to the city of San Francisco in time, too.

What I am pointing out is that the creation of an historical debt system, so far as I can see, is simply a paper transaction by which you transfer funds from airport profits into the general fund and base it on an accounting concept that you had put some money into in the past, and therefore, the city of Philadelphia should get it back now.

Isn't that correct?

Mr. MOAK. Well, you see, I am unable to follow the logic of the arguments here. I am pinned on the one side by: Didn't we take some profits and put them into the general fund? And I am pinned on the other side by: It is unfair to consider——

Mr. ADAMS. I have not said "fair," or "unfair." I am just trying to understand what you have done in your schedule II(a). As I understand it, you are going to put about \$10 million from the airport into general functions of the city of Philadelphia. One is a payment in lieu of city property taxes. One is a payment to amortize past debt, which I understand is your historical debt, what you say you spent in the past.

The other is police protection and fire protection services, which I understand goes into your pension fund for those men who might be assigned to the airport.

Mr. MOAK. A portion of it does. Most of this is for the salaries of the men who are serving at the airport.

Mr. ADAMS. All right. And here on this "services by other city agencies," you had \$200,000. In other words, what I am trying to determine is that you have shifted your system, but that you are basically turning about \$7 million into the general fund, on the basis that the city of Philadelphia put it in the past into this airport.

Mr. MOAK. No. The \$6 million relates to——

Mr. ADAMS. The payment in lieu of city property taxes: Did you make a charge to your other agencies, like city hall or other places like that for payment in lieu of property taxes?

Mr. MOAK. We are instituting a new procedure by which we will be charging our water and our sewer system for a payment in lieu of taxes also.

Mr. ADAMS. Well, but all this does is that you are then taking your city property and in effect, by an accounting transaction, allocating money into the general fund from whatever kind of specialized services you have. Do you have a separate water-sewer charge in Philadelphia?

Mr. MOAK. Yes.

Mr. ADAMS. So you had a separate fund there. So in order to get it into the general fund you charge in lieu of taxes on that fund; isn't that correct?

Mr. MOAK. Sure. We make a charge in lieu of taxes. In the same manner with public housing, which was commented upon earlier. There is a charge in lieu of taxes in the operation of the public housing facility.

Mr. ADAMS. Right. In other words, the system that you are developing in this facility is to transfer revenues from any particular city function into the general fund, by charging in lieu of taxes or by charging to amortize a past debt.

Mr. MOAK. It is an extension of a pattern which I established 20 years ago when I was at that time also director of finance for Philadelphia, under which, when one fund renders services to another, we have charges for services rendered. And this is an extension of that philosophy, in an effort, where we are in a business enterprise, to treat that the same as if it were privately owned, in relationships with the mainstream of the Government operations.

May I make two small comments about the bill? Just very small.

Mr. ADAMS. Well, quickly, because I know the gentlemen have to leave, because we only have 15 minutes to answer these quorums.

Mr. MOAK. First, in line 19 on page 4 there is prohibition against gross receipts taxes. It seems to me our city has a gross receipts tax generally applicable against business. It seems to me that it would be equitable for you to consider that there be no gross receipts tax here different from that generally applicable in the community.

In other words, that we couldn't use this device for the purpose of going around the back door. But if we have gross receipts otherwise applicable, it would continue to be applicable.

The other concern is on page 5, line 8. And I am not sufficiently familiar with the history of these items to know.

Reference is made here to reasonable rental. Is this the first time that the Congress has undertaken to interpose this kind of standard in negotiations between the airlines and the airport operators? If so, who is going to determine what constitutes reasonableness? Is the FAA or some other agency, going to have to move into this?

I think this is a tremendous departure, to which no attention has heretofore been given and I did not catch it, really, until I read it this morning.

Mr. ADAMS. We will look into that.

Thank you very much, gentlemen.

This concludes the hearings on this subject, and the committee is adjourned.

[The following statements and letters were received for the record:]

STATEMENT OF ROBERT E. MONROE, CONGRESSIONAL LIAISON, AIRCRAFT OWNERS AND PILOTS ASSOCIATION (AOPA)

AOPA appreciates this opportunity to present its views on H.R. 4082, H.R. 2695, S. 38 and related matters.

Definition of "Airport Development".—All of the bills cited would amend the definition of "airport development" contained in Section 11(2) of the Airport and Airway Development Act (AADA) to include security equipment, and S. 38 would also amend it to include facilities for passengers and baggage.

As the law stands, amendment of this definition implies and ultimately results in two consequences: (1) the additions will be allowable for matching funds at some percentage, and (2) the matching funds will be drawn from the aviation Trust Fund. With consequences of this sort, amendment should be considered with caution.

Security.—AOPA recommends rejection of all the proposals to amend the definition to include security equipment. These special security costs are essentially police type expenses and should be funded by the same means and from the same sources as other police functions. In addition, the program of searching all passengers and baggage with the equipment presents serious Constitutional problems with respect to the "unreasonable search and seizures" phrase of the Fourth Amendment that have not been resolved. Nor does it seem wise to include in a relatively long term program a provision of this retroactive nature for a short term program that should be approaching completion about the time the amendment would become operative; a provision that would remain for subsequent reinterpretation to cover other items that some administrator might consider desirable but which had not been contemplated by your Committee.

Terminal Building Facilities.—AOPA is less concerned about amending the definition to include that portion of terminal building facilities for handling passengers and baggage, even though these facilities seldom benefit general aviation users. Such facilities are an integral and indispensable part of air transportation. Since passengers pay a large share of the user taxes, it does seem fair that they should receive something in direct return to make their travel more comfortable and efficient. On the other hand, we hope that any such amendment is so carefully drawn that it will not result in the excesses that caused Congress to eliminate terminal building eligibility several years ago.

Airport Certification.—The definition already contains a provision including costs of airport certification. AOPA recommends that this provision be deleted and that Section 612 of the Federal Aviation Act of 1958 be repealed.

At the time of the hearings on the Airport and Airway Development Act, this provision was not in any of the bills being considered. The idea of airport certification was not discussed to any significant extent or favored by any witnesses other than those for the airline pilots. Nor was the provision contained in the Senate enacted version of the legislation. Hence, we were disappointed to find it in the House version and in the final law.

There is no evidence that justifies the cost and the red tape consequences of airport certification. The accident record clearly indicates that the incidence of injuries, fatalities, property damage and fires as a result of aircraft accidents on airports is not of sufficient magnitude or widespread occurrence to warrant a regulatory program of the character authorized by Section 612 of the Federal Aviation Act. Taking all of civil aviation together, it does not average one accident on a public airport per year. And the average for accidents on airports involving either fatalities and/or injuries is but a small fraction of the above.

From the record we can only conclude that the airport certification program is unnecessary and places a pointless burden on many airports, the taxpayers—both user and non-user, and the Federal Government. We should not have to waste money and effort providing facilities and services at every airport authorized for use by air carriers to deal with situations which occur so seldom that their probability in the course of a year is remote or non-existent. Moreover, those few airports which had encountered a need for such facilities and services had already acquired them.

ADAP Authorization and Obligational Levels.—Present law (AADA Section 14(a) and (b)) authorizes airport development of not less than \$250 million for airline served airports and \$30 million for other airports annually. Total obligations are currently limited to \$840 million (the three year multiple of \$280 million) for the combined programs.

H.R. 2095 would make no change in the annual authorizations but would increase the obligational level by the existing annual amounts to \$1,120 million and \$1,400 million for FY 1974 and 1975 in successive increments. H.R. 4082 would increase the annual authorizations to \$312.5 million for airline served airports and \$37.5 million for other airports with corresponding adjustments in the obligational levels for the same years. S. 38 would increase still further the annual authorizations to \$375 million for airline served airports and \$45 million for other airports with corresponding adjustments in the obligational levels for the same years.

AOPA recommends adoption of the provisions of S. 38 in this respect. The Trust Fund has and will continue to have sufficient money to support the scale of program envisioned by the Senate bill. The money comes from taxes levied upon the users for that purpose. No useful objective is served by delaying or stretching out the provision of the facilities for which the taxes were imposed. Expenditure of these funds does not have any effect upon the real Federal budget deficit

since these monies do come from the Trust Fund. Finally, the basic purpose of the AADA was to catch up as quickly as possible with current needs for airport and airway facilities.

ADAP for U.S. Government Joint Use Airports.—Present law (AADA Section 16(c)(1)) does not permit either agencies of the Federal Government or non-Federal sponsors to receive ADAP funds for projects on Federal joint-use airports. Most cases of this kind involve military airports, and the particular instance which gives rise to the issue is McCoy AFB at Orlando, Florida.

All of the bills cited contain a provision to permit the use of ADAP funds on U.S. Government joint-use airports.

AOPA is opposed to adoption of this provision unless the sentence is further amended with the following proviso (both amendments italicized):

"No airport development project may be approved by the Secretary with respect to any airport unless a public agency *or the United States or any agency thereof* holds good title, satisfactory to the Secretary, to the landing area of the airport or the site thereof, or gives assurance satisfactory to the Secretary that good title will be acquired; *Provided, that any Federally owned airport for which a project has been so approved shall be available for use by all operators of civil aircraft.*"

The purpose of the airport development program is to improve the airport system so that it serves the needs of the nation and its users. AOPA is stoutly opposed to the use of ADAP funds on joint use airports which are not open to all civil users. McCoy is an example; it accommodates airlines but prohibits general aviation use, even to deliver or pick up passengers or cargo using the airlines. ADAP funds, which are derived from taxes on all civil users, should not be invested on airports that are not available for use by all civil users.

Federal Share of Project Costs.—Present law (AADA Section 17) provides that the Federal funding of allowable airport development project costs shall not exceed 82% for certain items related to landing aids, 75% or less for other items in public land states and the territorial possessions, and 50% for other items elsewhere.

All of the bills cited would amend these limitations with the following net results:

82% for landing aid items (no change).

82% for safety certification items (up 7-32% depending upon whether or not a public land state project).

82% for security equipment items (new).

75% for other projects at airports enplaning less than 1% of total enplaned airline passengers (up 25% to the maximum allowed now in public land states).

50% for other projects at airports enplaning 1% or more of total enplaned airline passengers (no change although if the project lies in a public land state it could still go to 75% as previously).

S. 38 would, in addition, allow

50% for terminal building projects directly related to the handling of passengers or their baggage.

AOPA's views and recommendations on this net structure of Federal shares varies in each case.

AOPA favors retention of 82% funding for landing aid items as do all of the bills cited.

AOPA is opposed to 82% funding or funding at any level for the airport safety certification program. The cost of this program cannot be justified in view of the very small number of accidents, aircraft fires, fatalities and personal injuries that occur on airports. Those few airports which could justify a need for the facilities and services required by this program had already acquired them. The others did not and do not need them. Neither they nor the Federal Government nor the users should be burdened with the cost of providing what is not needed. Therefore, AOPA recommends deletion of the provision for 82% funding for the purposes of airport safety certification and here reaffirm our previous recommendation that Section 612 of the Federal Aviation Act of 1958, as amended, be repealed.

AOPA is opposed to 82% funding or funding at any level from the Aviation Trust Fund for security purposes as proposed by all the cited bills. As previously noted, the security program is essentially a police type program and should be funded by the same means and from the same sources as other police programs are.

AOPA strongly supports funding for eligible projects other than landing aids at a level of 75% for airports enplaning less than 1% of total air carrier enplanements and 50% for those airports enplaning 1% or more. This adjustment would help reduce local pressures for inhibitive taxes and fees to produce matching funds. Small communities do need this increase in assistance. It will accelerate airport development where it is needed. Large airports have given abundant evidence that they are well able to meet their needs with the assistance available under present law. Therefore, AOPA recommends adoption of the provisions for 75% and 50% shares contained in all the bills cited.

AOPA has no objection to the funding of terminal building facilities for passengers and baggage as proposed by S. 38. Projects of this kind are likely to be of no significant benefit to general aviation but we think that equity justifies this provision since passengers are paying a great share of the user taxes. As previously indicated, we hope that this kind of aid will not result in excessive "Taj Mahals" or "gold plated" equipments of the kind which caused Congress to disallow all terminal buildings from any kind of aid. Some remarks to this effect in the committee report on the bill would seem wise.

Similarly, AOPA has no objection to the related consequential amendment of AADA Section 20(b) as proposed by S. 38.

Planning Period.—AOPA has no objection to the provision in all the cited bills to extend by one year the period allowed for preparation of the National Airport System Plan (AADA Section 12(a)). This will merely legalize the failure to meet the due date last year.

Impoundment.—S. 38 contains a "sense of Congress" provision that no authorizations or appropriations for the purposes of the AADA shall be impounded. AOPA is in full sympathy with the objective of this provision and thinks it is particularly appropriate with respect to trust fund type appropriations of which the present case is one. Our only reservation is that a "sense of Congress" provision may not have the force that is required to accomplish the objective. We recommend a direct and conclusive prohibition.

ADAP Criteria for Small Community Projects.—For many years small communities have encountered difficulties in securing assistance for airport development projects that are scaled to the needs of the community. Projects costing less than \$10,000 are discouraged and will not be considered. Sponsors are often persuaded to apply for projects wherein the site preparation and pavement specifications envision eventual development as an air carrier airport even though the likelihood of air carrier service in the foreseeable future is remote or non-existent. Nor is there a simplified administrative procedure for dealing with projects of low cost. A letter which exemplifies the problem was received during the preparation of this statement and is attached as Exhibit 1.

If economy in government is desirable, and we think it is, then local sponsors should not be discouraged from seeking assistance for projects that meet their needs and are not excessive to them.

AOPA recognizes that this is a difficult problem to solve legislatively and therefore recommends that language be placed in the committee report instructing the Secretary of Transportation to alter administration of ADAP so that development of economical low cost airport development projects appropriate to the nature and size of the sponsoring community and its reasonably foreseeable needs are encouraged and facilitated; and to report back to the committee within six months the steps he has taken for this purpose.

Conclusion.—AOPA appreciates your consideration of these views and strongly urges favorable action on its recommendations.

EXHIBIT I

FIRST NATIONAL BANK,
Picasanton, Tex., February 26, 1973.

Mr. MAX KARANT,
Senior Vice President AOPA,
Washington, D.C.

DEAR MR. KARANT: When I joined AOPA several years ago and started receiving the monthly Confidential Newsletter and read some of the editorials in The AOPA Pilot, I felt that there was a lot of unnecessary criticism of the F.A.A. Bureaucracy—mainly because of my lack of awareness in this area.

I have become particularly disturbed recently with some of the reports centered around the User Charge program being talked about by the Cost Allocation Study Group of DOT. Perhaps the F.A.A., if they were really cost

conscious, would do well by taking an inward look at some of the monumental bureaucratic "red-tape" which could be streamlined and save the government (us taxpayers) untold amounts of dollars.

As an example, as Chairman of the Pleasanton Airport Advisory Board, I am somewhat familiar with part of their waste in connection with an application dated June 7, 1972, which we (City of Pleasanton, Texas) submitted for certain improvements to the Pleasanton Municipal Airport under the Airport Development Aid Program. Our application requested a total of \$21,000.00 in ADAP funds for:

- (1) One-half reimbursement for land acquisition $\$38,000 \div 2 = \$19,000$, and
- (2) One-half of costs to purchase and install a non-directional beacon (for VFR homing and IFR approaches) $\$4,000 \div 2 = \$2,000$.

This was, we felt, a very reasonable request.

In first talking with F.A.A. officials, they advised us that we should *not* apply for less than \$10,000 in funds. I asked why. They related that it costs an estimated \$10,000 (probably more) to merely process an application and they did not like to make grants for less than the amount it costs them to process a request. Also, they indicated that processing time would take about sixty (60) days. It has been over seven (7) months and we still have not received a decision on our request.

They advised us, on several occasions, that they felt we were not requesting sufficient funds for the NDB. Each time, we assured them that we had priced installed systems from at least two manufacturers and we could obtain the complete system (including repair parts, etc.) for the \$4,000 requested.

It seems they (the Houston District Office) have approved only one such NDB and they managed to run the price up to \$10,000 by requiring a paved road to the transmitter, a fence around it, engineering, etc.

They have now deleted the NDB from our request (I wonder if their reason is we did not ask for enough) and will probably cut about \$4,000 or \$5,000 from our land reimbursement.

I realize that our encounter is a small "drop in the bucket" compared to the whole picture, but my point is that: Why can't the F.A.A. delegate decisions on smaller requests, of say up to \$50,000 or \$75,000 or even \$100,000 to a committee of three or five knowledgeable, qualified persons who receive a recommendation from the F.A.A. District Airport Office Chief and let them act without the costly procedures now used.

Granted, probably a small amount of money would be wasted from time to time under this method, but I feel that much more would be usefully spent than is now being done. Just think of savings several thousand dollars (\$4,000 to \$8,000) on each request under ADAP funds—many airports would benefit, not to mention saving the government (us taxpayers) money.

Also, the F.A.A. has several District Offices here in Texas, each performing parallel duties. Why can't F.A.A. (again taking that inward look) combine both of these offices into one regional office preferably located in our State Capitol near our Texas Aeronautics Commission so their joint efforts could be better coordinated.

We have a fine Aeronautics Commission here in Texas—probably one of the best in the nation. As you probably know, they make matching fund grants to communities of less than 50,000 population to build and improve airports. This is how we built ours—with a \$50,000 local bond issue and almost that much in T.A.C. matching funds. Their appropriations come from unclaimed aviation gas tax refunds.

I recently told Mr. W. O. Karpenko, the T.A.C. Chief Engineer, that I honestly felt that we would not have an airport in Pleasanton today if we had depended on the F.A.A. for assistance, due to their "red-tape," delays, etc. We completed our airport in 1971.

If the federal government is becoming so cost conscious (which is good as long as it is done with common sense) why don't they economize on some of the giveaway (waste) programs in the fields of agriculture, poverty, etc.

Enough of my "soapbox" comments for now. Keep up your good and informative Confidential Newsletter—it really is beginning to make sense to me now.

Sincerely,

W. S. DEAN,
President, COMM, ASMEI, CFIAI, IGI.

STATEMENT OF JOHN J. O'DONNELL, PRESIDENT, AIR LINE PILOTS
ASSOCIATION

Mr. Chairman: I am J. J. O'Donnell, President of the Air Line Pilots Association. In this capacity, I represent the professional interests of 46,000 pilots and flight attendants of the nation's airlines. We appreciate the opportunity to give our views on the several bills before you designed to prohibit state- or locally-imposed use or service charges—commonly called "head taxes"—on airline passengers.

We believe that the proliferation of head taxes in airports throughout the country will bring about—and, in fact, has already begun to bring about—an inequitable, inconvenient, and administratively chaotic burden of taxation on air travellers, with no accompanying improvement in airport security, safety, and development.

As this Committee well knows from previous appearances before you, airline pilots and flight attendants are very safety and security conscious. If we felt that a head tax would provide for greater airport security, safety and development, I am sure we would endorse such taxes wholeheartedly. However, we believe that head taxes have a disruptive and chaotic effect on air travel. Our members serve hundreds of cities and counties in all 50 states plus Washington, D.C., Puerto Rico, and U.S. territories. We fly into more than 530 domestic airports, and any of the jurisdictions where these facilities are located are now free to impose head taxes of varying amounts on arriving and departing passengers. The head taxes already imposed have caused much confusion and frustration among passengers and the airlines. We believe timely action by the Congress is urgently required to halt this double taxation of airline passengers.

I use the term "double taxation," for the travelling public is already taxed through a user charge added to the price of an airline ticket as authorized under the Airport and Airways Act of 1970. The Air Line Pilots Association has been a strong supporter of this act. We have appeared previously before Congress urging an increase in the federal share for airport/airways improvements from 50 percent to 75 percent. Our opposition to head taxes in no way implies a lessened need for these additional funds. We feel that the urgent requirement to improve airport safety and security can be met more equitably and effectively by increasing the federal share of funds than through additional use and service charges that are locally- or state-imposed.

The Air Line Pilots Association rigorously supports airport improvements that are in the interest of public safety. We also understand the financial difficulties facing local governments. At the same time we realize that such improvements can best be obtained through the continued balanced and more equitable approach of providing funds for localities and states from the Airport Airways Trust Fund to which every air traveller now contributes when he buys his ticket.

Therefore, we respectfully urge this Committee and the Congress to give favorable consideration to legislation prohibiting the imposition of head taxes on air travellers. At the same time, to best provide vitally needed funds to the states and localities for airport development and improvement, we urge that the federal share of the Airport Airways Trust Fund be increased from the present 50 percent to 75 percent with the states and localities providing the difference.

STATEMENT OF JAMES E. DUNNE, II, MANAGING DIRECTOR, AIRLINE
PASSENGERS ASSOCIATION, INC., DALLAS, TEX.

Airline Passengers Association is a 13-year-old national association organized for the purpose of bettering airline passenger safety, convenience, comfort and economy. Its membership of 20,000 are primarily in the U.S., its territories and possessions. A.P.A., speaking on behalf of airline passengers, stated last year its opposition to the adoption of a proposed "head" tax ordinance in the City of Dallas. Located in Dallas, A.P.A. was able to generate significant media coverage regarding the disadvantages of the "head" tax, and we feel our objections to the ordinance played a part in its defeat. The credit must go, however, to the Dallas City Council and Mayor Wes Wise, for their farsightedness and objectivity in recognizing the pitfalls and repercussions of such an unfair and discriminatory tax.

While relatively convenient for us to speak out in Dallas, it has become impossible for us and other concerned groups to tackle each situation around the nation. Now that the door is open, states and municipalities by the numbers are looking at "head" taxes as a new license to enact their own versions at the expense of airline passengers everywhere. Approximately thirty-nine cities and one state have already adopted a head tax. Many others are considering it. Obviously, we can expect further proliferation of such proposals all across the country.

At our appearance before the Dallas City Council, we stated the following reasons for our opposition to a "head" tax in Dallas or anywhere else:

1. The tax is discriminatory since all enplaning or deplaning passengers will be charged the same "head" tax, regardless of the amount of the ticket. Further, persons aboard private aircraft and freight carriers using facilities will not be charged the tax. Commercial passengers, therefore, will carry the entire burden.

2. The tax discourages air travel by increasing the ticket costs. It is an economic fact that when you increase the price of any product or service, you eliminate a segment of potential customers. In some cases, municipalities are considering "head" taxes that would significantly increase ticket costs.

3. The user (passengers), through the cost of their airline tickets which include the present 8 percent federal tax going into the Federal Trust Fund, already pay the greatest share of the cost and maintenance for the whole air transportation system, a system which benefits the entire nation—not just the users.

4. The tax possesses elements of taxation without representation. If such a tax such as this can be levied by a City Council or state body for one dollar, it could be raised to two, three or four dollars without the ultimate consumer having any real voice or choice.

There is a moral question. This complexion of today's airline passenger is changing. He is no longer only the affluent businessman. Statistics show that an ever increasing number (over 50%) of today's airline passengers are traveling for non-business purposes and are from a greater and broadening spectrum of the American population.

The U.S. Supreme Court, in arriving at its affirmative decision regarding a special "head" tax, did so to aid one small city and state to raise revenues necessary to maintain minimal standards for commercial service. We feel that the primary concern of the Supreme Court was to alleviate similar situations but was not intended as a license to metropolitan areas (or states) to establish taxes of this type which can be levied for airport use or, as in the case of Philadelphia, Pennsylvania, for general fund purposes. The twenty-two major hub airports (which include Dallas and Philadelphia) that account for more than 75% of all domestic air, generally are money making. Airline passengers will contribute over five hundred million dollars to the Federal Trust Fund this fiscal year. The fund in turn is contributing, to a great degree, to the building and success of many new and improving facilities.

Recent statements by congressional leaders make it clear that they, too, did not intend that air travelers be subjected to local "head" taxes in addition to the 1970 Airport and Airways Development Act (Trust Fund).

Shortly after the Supreme Court ruling, H.R. 14847 was introduced. This bill would have amended the Federal Aviation Act of 1958 to prohibit state (or local) taxation of the carriage of persons in air transportation, and we wholeheartedly favored its passage. However, the President saw fit to let the final legislation die by pocket veto. Now, we support S. 38, H.R. 4082 and similar legislation and urge quick adoption.

We recognize, legitimate problems of some municipalities who desperately need additional funds to increase and broaden their airport facilities. We also recognize the need for state governments to uncover new methods of raising money for transportation related projects. But, we do not believe the answer is an unfair and discriminatory taxing vehicle that will create a burden of double taxation for the air traveler. If there were not a Federal Trust Fund already being heavily supported by air travelers—a trust fund with ample dollars being generated—we would not be so adamant in our opposition of "head" taxes. The Trust Fund is the answer. We stated last year that consideration be given to increasing the federal ratio for matching funds for airport grants, and to broadening the scope to include terminal facilities. By enacting legislation that would increase federal contribution ratios, the government would also be able to have a greater voice in assuring a more uniform and more efficient and effective

airport design. The efficiencies achieved will enable airlines and municipalities to standardize procedures and effect economies; thus, helping to head off future increases in ticket prices as well as making airline travel safer, more convenient and more economical. We strongly oppose "head" taxes of any kind. Passage of this bill will protect the rights of our millions of airline passengers.

We ask that proposed legislation be enacted soon and that Congress not take a "wait and see" position.

STATEMENT OF DANIEL J. HANSON, EXECUTIVE VICE PRESIDENT, AMERICAN ROAD BUILDERS' ASSOCIATION

Mr. Chairman and members of the committee, I appreciate the opportunity to present the views of the American Road Builders' Association with respect to pending legislation to amend the Airport and Airway Development Act of 1970.

We are fully in support of the overall thrust of the several House bills which have been written along the general lines of the bill passed in the closing days of the 92nd Congress (S. 3755), which was vetoed by the President, and the similar bill (S. 38), which was passed by the Senate earlier this year.

The 1972 Airport and Airway Act was one of the several bills which the President vetoed after the adjournment of Congress with the explanation that these bills did not conform to budgetary limitations. While it is quite true that the 1972 Airport and Airway Act proposed an increase in Federal assistance to the airport program, it is also true that the proposed increase was well within the capability of the Airport and Airway Trust Fund.

The Trust Fund was established in 1970 as a means of providing adequate funding for the airport and airway program by assigning the Federal costs of the program to special taxes levied on the users of the airways.

The rationale of the President's action in vetoing this legislation is therefore difficult for us to comprehend. If the President believes that the special taxes are producing more revenue than is needed for an adequate program, he should ask Congress to reduce the taxes.

One of the chief problems with the Federally aided airport program, without question, is the existing inability of local airport sponsors to raise sufficient money to match Federal aid. Existing law places these local sponsors at a disadvantage vis-a-vis the agencies responsible for highway and urban public transportation projects. The matching ratio for Federal-aid highways is 90-10 in the case of Interstate projects and, effective July 1, 1973, 70-30 for other Federal-aid highway projects. For urban public transportation projects, the existing matching ratio is $\frac{2}{3}$ Federal— $\frac{1}{3}$ local. Pending legislation would increase the Federal share payable for mass transit projects. A Senate proposal, incorporated in the Senate-passed S. 502, the Federal-Aid Highway Act of 1973, would increase the Federal share to 90 percent. A similar urban mass transit bill now pending in the House Banking and Currency Committee would increase the Federal share to 80 percent. The Administration has indicated that it favors an increase to 70 percent.

It seems reasonable and consistent, therefore, to increase the Federal share payable of Federally aided airport projects to at least 70 percent.

The difficulties in which States and local governments find themselves with respect to matching Federal-aid funds have been reflected in the increase in the number of "head taxes" levied by State and local governments on enplaning and deplaning airline passengers. These taxes are an undesirable restriction on interstate commerce and, of course, exceedingly unpopular. Thus, we believe, the *quid pro quo* solution devised by Congress last year is an admirable one; i.e., to prohibit the "head taxes" but to compensate by increasing the Federal share payable so the imposition of the "head taxes" will become unnecessary.

We believe S. 38, as passed by the Senate, proposes a reasonable compromise to the long-standing controversy over providing Federal assistance for the construction or improvement of terminal buildings. For many years, ARBA took the position that Federal funds should be concentrated on air-field improvements directly related to the safe and efficient operation of aircraft, and that State and local governments should accept full responsibility for terminal buildings.

The compromise proposed in S. 38 is that Federal funds should be made available for terminal improvements, but only with respect to those terminal facilities directly related to the movement of persons and their baggage, and then only on the basis of 50-50 matching. It should be recognized that terminal facilities

catering to large numbers of travelers are often operated at a profit, due to the popularity of restaurants, news stands, drug stores and other concessions in the terminal building. However, this is not always the case. In small terminals, particularly, the volume of traffic is not sufficient to make such concessions self-supporting. Nevertheless, the air traveler must be kept "warm and dry."

We therefore propose a further restriction on the use of Federal-aid funds for terminal improvements. We suggest that the Federal assistance applicable to terminal improvements at any one airport be limited to \$600,000. This is a sum large enough to be very useful in the construction of an adequate terminal at a small airport, but not large enough to be of major significance in the development of terminal facilities at very large airports.

We strongly support proposals to increase the Federal share payable for safety and security needs to at least 82 percent. These improvements are absolutely essential. Tightened Federal requirements in these areas have put a sudden and serious financial burden on airport operators. They need priority assistance in finding a solution.

We appreciate this opportunity to present the views of the American Road Builders' Association.

STATEMENT¹ OF THOMAS S. MILES, PRESIDENT AND CHIEF EXECUTIVE OFFICER,
NATIONAL AIR TRANSPORTATION CONFERENCES, INC.

Mr. Chairman, I am Thomas S. Miles, President and Chief Executive Officer of the National Air Transportation Conferences, Inc. which represents 376 air carriers offering scheduled and/or charter services (passenger, cargo and mail) in the 50 states, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the District of Columbia, and the territories and possessions of the United States.

On February 7, 1973 President Richard M. Nixon honored me with a very kind letter in which he stated:

"Our Nation's prosperity has long been related to America's transportation capabilities. Today, communities throughout the United States, at the rural outposts of our land and in mountains and plains areas alike, have access to air transportation through the services of the commuter air carriers, the air taxi and charter airlines, and the air cargo operators. These services comprise a new national asset, important to our Nation as a whole and vital to the communities you serve.

"You have my best wishes for a successful convention, and my appreciation for what you are doing to make local air transportation a part of the American scene."

It saddens NATC deeply to advise this committee that commuter airlines specializing in short-haul air transportation may not be able to remain on the American scene unless a climate is created that will make it possible for small communities to afford the airport facilities and services that make it economically feasible for commuter airlines to serve them. And the creation of that climate is not through the adoption of airport head taxes—taxes that contribute in some cases to total taxation (federal and local) in excess of 20% of the passenger's fare.

For example, a roundtrip Allentown, Pa.-Philadelphia passenger pays the following:

Round-trip fare.....	\$29.64
8-percent Federal ticket tax.....	2.36
Allentown tax.....	2.00
Philadelphia tax.....	3.00
Total	37.00

¹ Unlike so many strong and influential organizations in the Nation's capital, NATC must rely solely on this hearing to have its small voice heard as it does not have the staff to take the time to explain to each committee member and his aides the position of the commuter airline/air taxi charter industry on this important subject; therefore, we beg the indulgence of each committee member to take a few minutes to read this statement for the purpose of arriving at an independent judgment based on the merits of the issue.

Under this example, the tax of \$7.36 is 24.8% of the fare. Is that fair? Is it reasonable? It is this kind of taxation that could destroy short-haul air transportation. And that would be contrary to the public interest.

In the desire to maximize the commuter airline services which the President states "comprise a new national asset," and in the desire to make the nation's air transport system what we all want it to be—the best and safest in the world—at a price the "users" of the system and the public can afford in their own self interest . . .

1. NATC supports legislation which would prohibit a state (or political subdivision thereof) from levying or collecting a tax, fee, head charge, or other charge, directly or indirectly, on persons traveling in air commerce or on the carriage of persons traveling in air commerce or on the sale of air transportation or on the gross receipts derived therefrom;

2. NATC supports legislation which would increase annual ADAP authorizations to a level that will enhance the growth and development of airports throughout the nation in the public interest;

3. NATC supports legislation which would change the federal funding for airport grants from the present 50–50% ratio to a more appropriate ratio acceptable to, and workable for, the cities, counties and states that are so dependent on air commerce;

4. NATC supports legislation which would make public areas of terminal buildings eligible for Trust Fund assistance on a 75–25% ratio, or some other appropriate ratio, with separate accounts established for major hubs, medium hubs, small hubs, full service local community airports served by commuter airlines, and all other airports so as to preclude a few major terminals from eating up the available funds;

5. NATC supports legislation which would make funding for fire and rescue equipment and the personnel required to man such equipment at scheduled air carrier airports an FAA responsibility on a 100% federal basis;

6. NATC supports legislation which would provide 100% federal funding of a security system the government has designed and ordered as being necessary in the national and public interests;

7. NATC supports Revenue Sharing legislation which would make airports and the public areas of terminal buildings eligible for funds returned by the federal government to the cities and the states;

8. NATC supports legislation which would increase revenue from the 8% ticket tax by 25% by increasing the tax on each passenger's fare from 8% to 10% PROVIDED that the addition funds produced thereby will be needed to cover the costs associated with items #2, #3 and #4.

In serving major airports as well as thousands of small airports scattered throughout the U.S.A., commuter airlines and air taxi charter operators are sympathetic to the problems which prompt cities, counties and states to look to a local head tax as a much needed source of revenue for funding their airport needs. But like so many others seeking the best possible solution to the problem, our member carriers are opposed to any federal policy which would permit any airport to establish and impose a head tax to cover its own revenue needs for airport development and improvement.

Inasmuch as a system for collecting appropriate "User taxes" has already been established by the Congress, we ask: "Why change it? Why complicate things by placing a tax on top of a tax?" It doesn't make sense to us. It will not make sense to the air traveling public. And it is costly to administer. If additional funds are needed to "beef up" Aviation Trust Fund, then let's go about it in a business like way by increasing the ticket tax from 8% to 10%.³ But if it is not necessary at this time to obtain additional funds to meet present and long-term needs, then let us keep the ticket tax at the 8% level with the understanding that the balance of the NATC program as suggested herein will be adopted. This is the very least that can be done at this time if new and additional emphasis is going to be placed on improving and expanding airports serving smalltown U.S.A.—airports that are playing, and shall play, an ever-increasing role in assuring the orderly growth and development of the nation as industry and

³ An across-the-board 10% ticket tax for U.S. domestic travel would be more acceptable to air travelers than would local airport head taxes and would perhaps produce more net income than would the present 8% ticket tax plus a \$1 head tax imposed at each airport throughout the nation without placing an administrative burden on the airlines (as would be the case of the airport head taxes).

population are distributed throughout our great land to provide a better way of life for all Americans. And of this would be in tune with the challenge President Nixon included in his State of the Union message on January 22, 1970 wherein he said:

"For the past thirty years our population has also been growing and shifting. The result is exemplified in the vast areas of rural America emptying out of people and promise—a third of our counties lost population in the 1960's.

"What rural America needs most is a new kind of assistance. It needs to be dealt with, not as a separate nation, but as a part of an overall growth policy for America. We must create a new rural environment that will not only stem the migration to urban centers, but reverse it. If we seize our growth as a challenge, we can make the 1970's an historic period when by conscious choice we transformed our land into what we want it to become."

The objective of the President's "new rural environment" which will "reverse the migration of urban centers" cannot be achieved unless adequate air service is provided to communities throughout America through their own full service local airports—airports which receive appropriate support for both sides of the fence.

Thank you, Mr. Chairman, for giving NATC and its member air carriers the opportunity to participate in this important hearing.

NATIONAL LEAGUE OF CITIES,
U.S. CONFERENCE OF MAYORS,
Washington, D.C., March 29, 1973.

HON. HARLEY O. STAGGERS,
Chairman, Interstate and Foreign Commerce Committee, Rayburn House Office Building, Washington, D.C.

DEAR CHAIRMAN STAGGERS: On behalf of the National League of Cities and the U.S. Conference of Mayors, which jointly represent almost 15,000 municipalities across the nation, we would like to communicate our views regarding the airport legislation now pending before your Committee.

With respect to airport security, we believe that skyjacking must be recognized as a national problem that can only be dealt with effectively at the Federal level. On November 30, 1972, during its 49th Annual Congress of Cities, the National League of Cities passed an Independent Resolution on "National International Actions to Combat Skyjacking and Other Crimes Against Civil Aviation." In particular, it strongly recommended "that the Administration propose and the Congress promptly enact legislation to provide Federal law enforcement officials at active boarding gates to support and back-up the airline screening effort . . ." It opposes "current federal proposals to require local law enforcement personnel to enforce federal anti-hijacking laws at public airports, as this function of protecting passengers from terrorists and political refugees is uniquely a federal obligation and cannot effectively be delegated to local government."

The U.S. Conference of Mayors passed a similar resolution at their annual meeting in June of 1972. It also urged full federal funding for those items required to establish an approved Airport Security Plan.

We are enclosing the Independent Resolution on Skyjacking, adopted by the National League of Cities at its Annual Congress of Cities in November of 1972, and a resolution of the United States Conference of Mayors, adopted at its annual Conference in June of 1972.

We urge prompt and affirmative action by the Congress to assure that the Federal Government will assume its appropriate responsibility in providing a national system of airport security. We therefore support affirmative action by your Committee on S. 39, as passed by the Senate.

Related to this is the Airport Development Act, which includes a provision that would prohibit the use of "head taxes." We feel that the decision to impose "head taxes" is a local matter to be levied by local governments, consistent, of course, with the Supreme Court's *Evansville* decision.

Head taxes or passenger user fees would allow direct reimbursement to cities and to airport operators for costs incurred in implementing Federal security regulations. For many cities, it may be the only equitable and speedy way to raise the money to meet these new requirements. Action by the Congress to prohibit "head taxes" may be, in effect, an intimidation of local authorities in their attempts to negotiate security fees with airlines and the Federal Government.

Should the Federal Government refuse to assume responsibility for airport security, local governments must have the option of imposing a passenger user fee or "head tax" to cover the high costs associated with meeting the Federal airport security requirements. We also consider head taxes to be an equitable means for cities and airports to meet expenses of their airports not covered by ADAP funds or airline fees.

We, therefore, respectfully urge that the Committee reconsider their position on this matter. We are in agreement with the other provisions of the Airport Development Act. However, we urge that all airports receive a 75 percent Federal share for ADAP funds, not only non-large hub airports.

We appreciate your consideration of the airport needs of the nation's cities and the Federal role in meeting these needs.

Sincerely,

ALLEN E. PRITCHARD, JR.,
Executive Vice President, National League of Cities.
 JOHN J. GUNTHER,
Executive Director, U.S. Conference of Mayors.

28. SKYJACKING

Whereas, the aviation industry of the United States and the individuals who travel on our airlines are being endangered by the heinous crimes of skyjacking and extortion and all the dangers inherent thereto; and

Whereas, the President of the United States has publicly directed that the proper federal, state and local agencies take all action possible to end these despicable crimes against the citizens of the United States and others who may be traveling on our public airlines; and

Whereas, the Administrator of the Federal Aviation Administration has caused to be issued Federal Aviation Regulations Parts 107 and 121 which make incumbent upon all airport managers and airlines the immediate implementation and continuous promulgation of adequate security measures with considerable expense incidental thereto.

Now, therefore, be it

Resolved, That the United States Conference of Mayors support before the U.S. Congress legislation designed to authorize full federal funding for those items required by F.A.R. Parts 107 and 121, as necessary, to establish an approved Airport Security Plan, including those items purchased prior to enabling legislation; and be it further

Resolved, That the United States Conference of Mayors supports the position that those guilty of these crimes and who seek refuge in a foreign state be automatically extradited to the state in which the flight originated, and that all states of the world be urged to become signatories to the Convention for the Suppression of Unlawful Seizure of Aircraft (Hijacking Convention) as promulgated at the Convention held at The Hague, December 16, 1970.

NOTE.—Proposed Resolution No. 29 (on school bussing) was tabled by the New Orleans Resolutions Committee.

* * *

INDEPENDENT RESOLUTION ON NATIONAL AND INTERNATIONAL ACTION TO COMBAT SKYJACKING AND OTHER CRIMES AGAINST CIVIL AVIATION

Whereas, in spite of evolving federal and aviation industry programs, the threat to the nation's air travelers of skyjacking, extortion, sabotage and bomb threats continues largely unabated; and

Whereas, federal and international efforts will be required to effectively deter future criminal actions of this type and to assure the safety of the world's air passengers and its civil aviation system; and

Whereas, in the United States, the Federal Government has the responsibility for the protection of its citizens in the air and on the ground while in interstate and international commerce; and

Whereas, the Federal Government must both make its resources available to a prompt solution of the present security crisis and exercise leadership in assuring compliance by the aviation industry of federal passenger screening and baggage examination regulations, including the provision of federal law enforcement officers at U.S. public airports to back-up the airline screening process and to enforce the federal laws against hijacking, carrying of concealed weapons on board aircraft and bomb threats; and

Whereas, the most effective and long-term solution to skyjacking and aerial terrorism lies in international actions to eliminate all "safe havens" for hijackers in all nations and to assure prompt criminal prosecution when such incidents occur; Now, therefore, be it

Resolved by the duly qualified voting delegates to the Annual Congress of Cities of the National League of Cities, assembled in the City of Indianapolis, State of Indiana, this 30th day of November, 1972, That the National League of Cities:

1. Express its abhorrence to the continuing incidents of skyjacking, extortion and other criminal acts of terror which are endangering the safety of the public and the stability of civil aviation;

2. Urges the Federal Government to intensify its efforts to assure that potential hijackers are prevented access to aircraft by regulatory requirements on the nation's airlines to undertake 100% screening of all airline passengers and examination of carry-on baggage at each boarding gate, with the aid of metal detecting devices;

3. Strongly recommends that the Administration propose and the Congress promptly enact legislation to provide federal law enforcement officials at active boarding gates to support and back-up the airline screening effort, to enforce federal criminal statutes against hijacking, carrying concealed weapons aboard aircraft, and to search and arrest potential hijackers;

4. Opposes current federal proposals to require local law enforcement personnel to enforce federal anti-hijacking laws at public airports, as this function of protecting passengers from terrorists and political refugees is uniquely a federal obligation and cannot effectively be delegated to local government; and

5. Strongly urges action by the United States, by multilateral or bilateral negotiations with other nations, to develop and obtain ratification of international agreements to eliminate "safe havens" for hijackers around the world and to assure prompt criminal prosecution when such incidents occur.

Adopted by the Resolutions Committee.

AMERICAN AUTOMOBILE ASSOCIATION,
Washington, D.C., April 6, 1973.

Re: H.R. 4082, H.R. 2695 and related bills on prohibition of airport headtaxes.

Hon. JOHN JARMAN,
Chairman, Subcommittee on Transportation and Aeronautics, Committee on Interstate and Foreign Commerce, Rayburn House Office Building, Washington, D.C.

DEAR CHAIRMAN JARMAN: The purpose of this letter is to make known to the Subcommittee the policy position of the American Automobile Association on the several bills being considered by the Subcommittee dealing with the prohibition of airport headtaxes.

On September 13, 1972, at its 70th Annual Meeting, AAA delegates unanimously adopted a new resolution which reads:

AIR PASSENGER HEAD TAX—STATE AND LOCAL

"The American Automobile Association is disturbed by the imposition of state and local 'headtaxes' on airline passengers. AAA feels that these tax levies represent a dangerous precedent which could lead to increasing economic restrictions on the right to travel. AAA also believes that these taxes represent double taxation on airline passengers since the passenger's domestic ticket price already includes a Federal tax of eight percent. Since this Federal ticket-tax revenue is deposited in the Airport and Airways Trust Fund, established by Congress to assist local communities in expanding and developing airport facilities, AAA believes that additional taxation on airline passengers is unnecessary and unjust.

"The American Automobile Association therefore calls on Congress to amend the Airport and Airways Development Act of 1970 to prohibit payment of any Federal grant or money available under this act to any state or locality which imposes either an arrival or departure 'head tax' on airline passengers."

AAA is greatly concerned about the potential effect on air travelers of the tremendous proliferation of airport headtaxes which has occurred within the past year. In less than a year the number of jurisdictions which have enacted airport headtaxes has jumped from eight to nearly fifty. This dramatic increase within just a one-year period of time justifies the fears expressed by proponents of the legislation to prohibit headtaxes which was enacted by the Congress last year.

We regret the fact that President Nixon felt it necessary to veto this important piece of legislation.

It is the position of AAA that air travel will be expedited and enhanced if the taxes necessary to support development of our air transportation system are assessed on a national basis, and channeled into the Airport and Airways Development Trust Fund. This will result in a strong, well-planned system. We especially deplore the concept of utilizing airport headtaxes as a source for raising general funds for communities in and around our airports.

It is requested that this letter be made a part of the printed hearings on the subject of airport head taxes.

Sincerely yours,

CORNELIUS R. GRAY,
Director, Legal Department.

TRANSPORTATION ASSOCIATION OF AMERICA,
Washington, D.C., March 13, 1973.

Hon. JOHN JARMAN,
Chairman, Transportation and Aeronautics Subcommittee, U.S. House of Representatives, Washington, D.C.

DEAR CHAIRMAN JARMAN: On behalf of the Board of Directors of the Transportation Association of America, I should like to express TAA's views on several of the provisions included in H.R. 2695, H.R. 4082, and Senate-passed S. 88, which bills are scheduled for hearings before your Subcommittee this week. These provisions deal with state and local head taxes on air passengers, changes in Federal/state-local matching ratios for airport construction projects, and U.S. funding of airport safety and security equipment.

STATE AND LOCAL HEAD TAXES

TAA believes that the imposition of head taxes at the state and local airport level should not be permitted, since the impact on commercial air carriers and their passengers will be a detrimental one. We say this primarily because such taxes tend to be discriminatory in nature, which is clearly shown by the fact that different airports are now levying different head taxes. Also, at least one of them wants to use part of its head tax revenues for non-aviation purposes. TAA has long opposed discriminatory taxation of interstate carriers at the state and local levels, and it has objected to the use of interstate carriers as an easy means of collecting tax revenues.

Since commercial air carriers and their users are already paying over 90 percent of the revenues going into the Federal Airways/Airport Trust Fund (over \$630 million in 1972 and an estimated \$884 million by 1975), this added financial burden will simply increase their already disproportionate share of the overall aviation user-charge burden.

TAA also believes that such aviation head taxes, if not prohibited by Federal law, will expand rapidly and soon create heavy administrative as well as financial burden on commercial air carriers. This is indicated by the fact that at least 35 airports are now levying such taxes, and others are undoubtedly seriously considering taking such a step.

The three bills referred to above all make clear provision for state and local airport authorities to obtain needed financing from airport users through a variety of taxation techniques; so we are not talking about depriving them of their right to recover their costs, but simply prohibiting one method of doing it.

FEDERAL/STATE-LOCAL AIRPORT FUNDING RATIO

As members of your Subcommittee should recall, TAA was a strong proponent of the Federal Airways/Airport Trust Fund, and it has expressed strong opposition to attempts to use the revenues in this Fund for other than the purposes for which it was created. We also object to the impounding of the revenues in this Fund so long as the facilities called for under its enabling statutes have not been built and the states and/or local airport authorities are in a position to pay their required portion.

We recognize that in a number of instances it is quite difficult for these airport authorities to raise these matching funds; and we thus do not object to an increase in the Federal share to 75 percent for facilities at certain airports, as

called for in the three bills being discussed, provided the money comes out of revenues going into the Airways/Airport Trust Fund. The 25 percent requirement at the state and local levels should be sufficient to assure justification of the projects to be built.

FUNDING FOR AIRPORT SAFETY AND SECURITY EQUIPMENT

TAA's support of the Airways/Airport Trust Fund is interpreted to cover the construction of facilities required for the safety and security of air passengers, and properly certified by Federal authorities as required. Therefore, we favor passage of the provisions calling for up to 82 percent of the total cost of such facilities to be paid from revenues in the Fund.

We urge approval of your Subcommittee of the provisions in H.R. 2695, H.R. 4082, and S. 38 referred to above, and request that this letter be made part of the official record of the hearings on these and related bills.

Sincerely,

HAROLD F. HAMMOND,
President .

NIAGARA FRONTIER TRANSPORTATION AUTHORITY,
Buffalo, N.Y., February 28, 1973.

Mr. W. E. WILLIAMSON,
*Clerk, United States House of Representatives,
Committee on Interstate and Foreign Commerce,
Washington, D.C.*

Mr. W. E. WILLIAMSON: Through the American Association of Airport Executives, the Niagara Frontier Transportation Authority has been advised that on March 6 & 7, 1973, the House of Representatives Subcommittee on transportation and aeronautics will hold public hearings on Bills No. H.R. 4082, H.R. 2695, S. 38, and all similar bills.

This Authority would like to go on record as endorsing Bill H.R. 4082 which provides 75 percent ADAP funding for presently eligible items except at the large hubs; 82 percent funding for certification and security items; increases the annual authorization about 25 percent to \$312.5 million through Fiscal Year 1975; and prohibits the head tax.

With the added responsibility and costs incurred by airport operators to meet the needs of the public and to comply with recent FAA regulations, it is essential that aid of the type recommended by Bill H.R. 4082 be provided at the earliest possible time.

Sincerely yours,

JOHN C. SEAL,
Manager, Public Relations.

CITY OF RIVERSIDE MUNICIPAL AIRPORT,
Riverside, Calif., March 1, 1973.

Mr. W. E. WILLIAMSON,
*Clerk, U.S. House of Representatives, Committee on Interstate and Foreign
Commerce, Washington, D.C.*

DEAR Mr. WILLIAMSON: The City of Riverside is very much interested in hearings that we understand the Congressional Sub-Committee on Transportation and Aeronautics will be holding March 6th and 7th to consider the Airport Development Aid Program and airport certification and security items. We would appreciate your making this City's position a matter of record at these hearings as follows:

"The City of Riverside strongly supports Congressman Staggers' bill H.R. 4082, wherein it is proposed that Airport Development Aid Program funding be increased to 75% for presently eligible items except at the larger hub airports; 82% for certification and security items and increases the annual authorization by approximately 25% to \$312.5 million through fiscal year 1975.

"Riverside Municipal Airport is primarily a general aviation airport with commuter service to and from Los Angeles furnished by Golden West Airlines and we have no strong position one way or the other relative to prohibition of the head tax proposed under Congressman Staggers' bill.

"The City of Riverside finds it increasingly difficult to operate and improve the Riverside Municipal Airport to meet growing demands and has simply been unable to fund needed projects within the time frame necessary because of capital project demands throughout the City. Increased federal funding will greatly assist the City in meeting current and future demand at the Airport.

"The City of Riverside respectfully requests favorable consideration of its position in this matter."

Very truly yours,

ROY E. BAYLESS,
Airport Director.

U.S. CONSUMER EXPORTS, INC.,
St. Thomas, Virgin Islands, March 5, 1973.

Re: H.R. No. 2695.

HON. HARLEY O. STAGGERS,
Chairman, Interstate and Foreign Commerce Committee, U.S. House of Representatives, Rayburn House Office Building, Washington, D.C.

DEAR CONGRESSMAN: As you may know, we supported the prohibitions against airport "head taxes" and gross receipts taxes contained in H.R. 14847 and H.R. 2337, as well as S. 3755, of the 92nd Congress.

We now support the prohibitions on airport "head taxes" as provided in H.R. 2695. We especially support the applicability of these prohibitions to the Territories of the United States.

We have been advised that Mr. Jack Monsanto, Executive Director of the Virgin Islands Port Authority, plans to appeal to your committee for an amendment to H.R. 2695 which would exempt the U.S. Virgin Islands (and other territories) from the head tax and gross receipts tax prohibition. For this reason, we would like to acquaint you with a few facts relative to the airport on St. Thomas.

The existing "airport use tax" is discriminatory in that it is levied only on "persons departing the Virgin Islands" and does not apply to other users (inter-Virgin Island traffic).

There is, in addition, a \$1.00 "service charge" for use of the customs pre-clearance facilities on St. Thomas and St. Croix; again, levied by the Port Authority only on those persons who are departing the Virgin Islands (not inter-island traffic).

When the Navy submarine base on St. Thomas became surplus, it was given—at no charge—to the Virgin Islands Government. Thus, the Virgin Islands Port Authority was born. The gift included extensive acreage, barracks, shops, hangars and a rain catch which was converted into Harry S. Truman Airport.

Aside from adding a relatively small over-run apron to the runway (rain catch), the Virgin Islands Port Authority has made no substantial capital improvements to the St. Thomas facility. The passenger terminal and pre-clearance facility are old Navy hangars which, anywhere else, would have been condemned long ago.

There have been a series of feasibility studies on relocation of the airport, or improvement of the present facility. Study number sixteen is now being made!

A gross receipts tax (2%) is levied in the Virgin Islands, and the administration is currently proposing that this be increased to four percent (4%). Revenues from this gross receipts tax is covered into the general treasury of the Virgin Islands, with little if any being appropriated for Port Authority maintenance or improvements.

When the U.S. Navy transferred its vast land holdings to the Virgin Islands Government, one of the conditions provided that net revenues from that property be used exclusively for Port Authority operations. Management of these properties, other than the airport and dock areas, has been taken away from the Port Authority and net revenues have diminished to something in the area of \$60,000 annually.

As you can see, the Virgin Islands Port Authority enjoys many advantages over port authorities on the mainland, mainly in that it acquired all of its property and buildings at no cost.

We can think of no rational reason why the Virgin Islands or the other territories of the United States should be exempted from the prohibitions of H.R. 2695. Moreover, we believe that the Congress would be well advised to request the Comptroller of the Virgin Islands to review the terms and conditions under which Navy lands were transferred to the Port Authority, and to determine if those terms and conditions are being properly adhered to by the Government of the Virgin Islands.

Sincerely,

ANDY J. PEREZ,
President.

[From the Daily News, Feb. 21, 1973]

FUND REVENUES USED FOR BUDGET, NOT LOANS

Governor Evans has proposed to partially fund the operating budget in fiscal 1974 as he has in the past three fiscal years, by transfers from balances available in various funds.

These are the Matching Fund, which is supposed to be used for capital improvements, the Interest Revenue Fund, the Health Revolving Fund, and advance drawing from the Tax Exemption Fund for a total of some \$16 million.

According to Bruno Neumann of the office of the Budget Director, once these transfers have been made, the money is never paid back to the Fund involved as it is not considered a loan. That is why, he said, such funds as the Government Employees Insurance Fund are not used for transfers into operating expenses, though it has been borrowed against for other purposes from time to time. In those cases the money is paid back with interest over a set period.

"When money goes into operating expenses, it is gone forever," Neumann stated.

In a comparison table, it is indicated that 1968 was the first year in which the Matching Fund was tapped for a contribution to the General Fund. This was in the amount of \$4.9 million. In 1971, \$5 million was taken from this source, in 1972, \$3.2 million, in the current year \$7.9 million which includes a past due collection of \$3.9 million, and for 1974, an estimated \$4 million.

The Health Revolving Fund was first utilized in 1971 for \$997,840. For the current year some \$2.1 million will come from this source and in 1974, \$3.5 million.

None of the others came into the picture until fiscal 1972, when the Interest Revenue Fund contributed \$6.5 million and the Tax Exemption Fund \$4.6 million. The Health Revolving Fund in 1974 will make an estimated contribution of \$3.5 million and the Tax Exemption Fund \$5.5 million.

FEDERAL FUNDS TOTAL \$84 MILLION OF PROPOSED VIRGIN ISLANDS BUDGET

Even if the Legislature goes along with Governor Evans' request to double the gross receipts tax, the bulk of funds for the administration's proposed \$151.9 million budget for fiscal 1974 will still come from federal sources.

Some \$87.4 million, well over half the \$154.7 million in revenues forecast for the coming fiscal year, will represent federal moneys.

The bulk of this will be individual and corporate income taxes which are kept in the territorial treasury. These are expected to hit \$61,250,000 of which \$44,750,000 will be in personal income taxes. The total represents 49.7 percent of the revenues for the general fund.

The gross receipts tax, if doubled, is forecast to provide \$20,550,000, or 18 percent of the general fund revenues of \$114.2 million. In the current year it is expected to provide just 10.8 percent of these revenues.

U.S. Customs dues returned to the V.I. treasury also go into the general fund. These are expected to total \$6 million or 5.25 percent of that fund.

The Matching Fund, federal taxes collected on V.I. rum sold on the mainland and returned to the territorial treasury, is predicted to reach \$20.2 million in fiscal '74. While this is supposed to be used for capital expenditures only, the governor has proposed to divert \$4 million to the general fund to cover current operating expenses.

After the gross receipts tax, the largest source of local tax revenue is the real property tax. This is expected to amount to \$5,690,000, almost five percent of the general fund revenues.

Trade and excise taxes are expected to bring in another \$4,430,000, or 3.88 percent of the general fund revenues.

In addition to the Matching Fund, contributions to the general fund are also proposed to be made from the Interest Revenue Fund, Health Revolving Fund and Tax Exemption Fund. All told, contributions from the four funds will pay for 14 percent of the operating budget.

HUNTSVILLE, ALA.,
February 22, 1973.

Subject: Opposition to Airport "Use Tax"

Representative HARLEY STAGGERS,
Chairman, House Commerce Committee,
U.S. House of Representatives, Washington, D.C.

DEAR REPRESENTATIVE STAGGERS: This letter is to urge the support of the bill which prohibits/eliminates the collection of a charge from enplaning passengers.

Locally in Huntsville, Alabama, the Huntsville-Madison County Airport Authority (HMCAA) collects such a "use-tax" of enplaning passengers. This was imposed prior to the "skyjack" precaution efforts due to revenues which were found to be less than those originally envisioned for this "self-sufficient operation". The HMCAA operates under a cavalier attitude of extravagant fiscal policies which utilizes little or no self restraint. Therefore the "use-tax" collection and other means have allowed extravagancies and postponement of reappraisal of fiscal operational policies.

The average man as an individual must forego frills and luxuries if his income is insufficient to support them. This has not been true of the HMCAA however. The HMCAA provides the public:

(a) A \$10,000.00 reinforced concrete sign indicating the name of the Airport, and corporate users (though it is not visible from the highway servicing the airport).

(b) It provides a \$3,500.00 glass-covered walkway from the airport building to the parking lot (however, I have found it to be locked during inclement weather and while deplaning at night). This same glassed walkway has artificial plants to decorate it (to the tune of approximately \$1,000.00).

(c) At high traffic areas (ticket counters, concourse, etc.) in excess of 5,000 sq. yds. of carpet are utilized for "appearance, etc." rather than more durable, maintenance-free, and permanent flooring material. (I shutter to anticipate the carpet replacement costs in the near future.)

The above examples are indicative of the fiscal policies exhibited locally by HMCAA. The purpose of this letter is two-fold:

(a) Opposition to "use-tax" on enplaning passengers which was brought about by the wasteful and fiscal appetites of the HMCAA.

(b) To force a reappraisal on the part of HMCAA (and the local Government) of their extravagant tastes in this time of austere incomes.

If "easy funding" is not available to the operating groups, then an optimistic hope for self restraint will be forced upon them or the local city/county governing bodies will exercise vetos on what appear to be gluttonous fiscal appetites until such time as they can be afforded.

After retrenchment in fiscal ambitions in attempts to accommodate obligations (anti-skyjacking procedures, etc.), then, if supplemental funds are mandatory, these can be pursued.

I fly 25,000 to 30,000 miles a year and have compared the Huntsville airport with numerous others. HMCAA has a long way to go in order to give the public its due with the resources which are already available.

It is recognized that legitimate obligations in technical and managerial "improvements" effecting airport operation and safety are warranted. All of these require money. The priorities of expenditures within available resources need redirection, however.

Please vote to remove the airport use-tax charge for enplaning passengers.

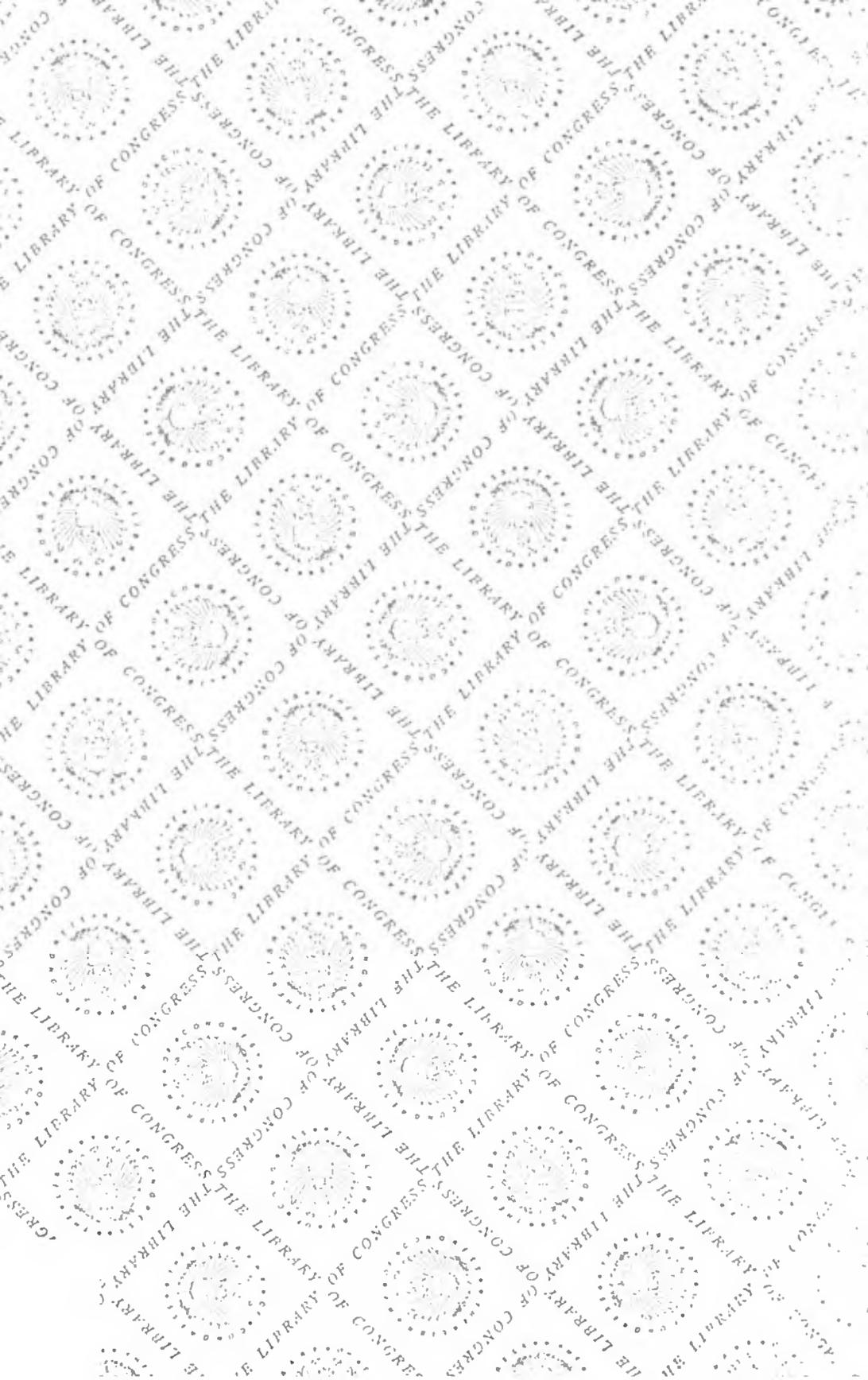
Sincerely,

HAROLD PERKINS.

[Whereupon, at 12:30 p.m. the subcommittee adjourned.]

H25 74







OCT 73



N. MANCHESTER,
INDIANA



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