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THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

Identical letter to:
Honorable John W. McCormack
Speaker of the House
of Representatives

MAY 20 1968

Honorable Hubert H. Humphrey
President of the Senate
Washington, D. C. 20510

Dear Mr. President:

There is transmitted herewith a proposed bill

"To authorize the Secretary of Transportation
to plan and provide financial assistance for
airport development, and other purposes",

together with a section-by-section analysis.

This proposed bill would chart a new course for Federal assistance to airport development. It would authorize direct loans for development of airports which are potentially viable but for which loans in the private market cannot be obtained on reasonable terms. The loans outstanding at any one time would be limited to \$1,000,000,000.

To assist development of airports served by local service carriers receiving operating subsidy from the Civil Aeronautics Board, the bill would authorize grants up to 50 percent of the cost of projects attributable to service by the subsidized carrier. As a condition to a grant, the Secretary would have to find, after consultation with the Board, that the cost of the project did not exceed the value of the service to be provided.

All of the proposed Federal assistance would be available only for development projects related to landing areas and safety facilities. It would not be available for terminal, hangar, parking, and other passenger service or industrial purposes.

The bill would require the Secretary to prepare, within two years, and revise at least every two years thereafter, a plan for the National Airport System. The plan must set forth for at least a ten-year period the type and estimated cost of all airport development required to meet the needs for airport facilities in locations served by air carriers, for the national defense and postal service, and for the economic development objectives of the States and their subdivisions.

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The growth in aviation activity, both air carrier and general aviation, will continue to create a demand for expanded airport facilities. The Federal Government has a substantial interest in the orderly development of our Nation's airports, but this Federal interest should not be considered overriding. Our civil airports are owned and operated by State and local governments or by private individuals. They are used by privately-owned common carriers, by private corporations, and by private individuals. They are financed largely by these users and by the communities served. The interests and responsibilities of these groups must be recognized in our policies and our planning.

The aviation industry has reached a new stage of maturity. The evidence is clear that Federal grant assistance is no longer required at most airports. With few exceptions, the direct users of an airport are financially capable of bearing the full costs of development and operation. Certainly, the unsubsidized airlines are capable as a regulated industry, of bearing the full costs of their operations. Today, less than 2 percent of the expenses of the scheduled airlines are attributable to airport landing fees.

Very few general aviation airports charge any landing fee at all. The impact of a modest fee sufficient to develop and support these airports would be negligible in most cases.

A reasonable system of charges should provide communities sufficient revenues to attract private financing of needed airport development. There are, however, special cases where Federal financial assistance must be continued and the proposed bill would do this.

The Bureau of the Budget has advised that enactment of this proposed legislation would be in accord with the President's program.

Sincerely,

"Original Signed by"

Alan S. Boyd

Enclosures

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A BILL

To authorize the Secretary of Transportation to plan and provide financial assistance for airport development, and other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Airport Development Act of 1968".

Sec. 2. Declaration of Purpose. The Congress hereby finds that the Nation now has an extensive airport system, that the users of air transportation are capable of supporting fully most of the airports in the system, and that private capital should be relied upon to the greatest extent possible in future development of airports. The Congress finds, however, that the current growth in aviation activity is creating demands for capital for airport improvements which private industry, working with the State and local governmental entities who own, operate, and maintain our Nation's airports, may not be able to provide in a timely manner. Therefore, the public interest in developing and maintaining a national airport system to meet the demands of interstate commerce, the postal service, and the national defense requires more extensive planning for future airport facilities and the provision of Federal financial assistance in the development of those facilities for which private capital is not available on reasonable terms.

Sec. 3. Airport Loans. The Secretary is authorized, subject to such terms and conditions as he may prescribe, to purchase the securities and obligations of, or make loans to any public agency

for projects for the purchase, construction, alteration, or improvement of landing areas at airports available for public use, for necessary safety facilities, and for the acquisition of lands adjacent to or in the immediate vicinity of such airports, including any interest therein, or any easement through or any other interest in airspace, for the purpose of assuring that activities and operations conducted thereon will be compatible with normal airport operations, if he finds that:

(1) the project cannot be financed on reasonable terms without Federal assistance;

(2) the project for which financial assistance is sought will be consistent with the National Airport System plan, if that plan is completed at the time the loan application is received;

(3) the project for which the financial assistance is sought is consistent with officially coordinated comprehensive planning for the development of the area;

(4) the entity requesting the financial assistance will comply with such standards, terms, and conditions as the Secretary may prescribe concerning the uses, physical characteristics, and features of the airport and related facilities; the adequacy of landing fees and charges; and the use of airport receipts for airport purposes;

(5) there is reasonable assurance of redemption of the securities and obligations or repayment of the loan; and

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(6) the amount of the financial assistance, together with other funds available, is adequate to assure completion of the project or achievement of the purposes for which the purchase or loan is made.

The maturity date of any such securities, obligations, or loans, including all extensions and renewals thereof, shall not be later than 30 years after their date of issuance, and all such securities, obligations, or loans shall bear interest at a rate not less than (i) a rate determined by the Secretary of the Treasury taking into consideration the average market yield during the month preceding the making of such loan on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of one per centum, plus (ii) an allowance adequate in the judgment of the Secretary to cover administrative costs and probable losses. The total amount of loans outstanding at any one time may not exceed \$1,000,000,000.

Sec. 4. Grants to Airports Served by Local Service Carriers.

(a) The Secretary is authorized to make grants to public agencies to assist in financing airport development projects falling within the scope of section 3 at locations at which the only

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certificated air carrier service is that provided by air carriers who are paid compensation by the Civil Aeronautics Board under clause 3 of section 406(b) of the Federal Aviation Act as amended (49 U.S.C. 1376). Grants may be made only for projects attributable to the operations of the certificated air carrier. No grant may be made under this subsection unless the Secretary (1) makes the findings 1, 2, 3, 4, and 6 set forth in section 3; and (2) examines the project costs attributable to the certificated air carrier, considers those costs in relation to the air transportation service to be provided by the carrier and, after consultation with the Civil Aeronautics Board, finds that the cost of the project does not substantially exceed the value of the service to be provided. Such grants shall be subject to such other terms and conditions as the Secretary may prescribe.

(b) No grant may exceed 50 percent of the total project cost, but the receipt of a grant under this section shall not affect the eligibility of a project for financial assistance under any other provision of this Act. The total of grants made under this section shall not exceed \$100,000,000. If the requests for grant assistance during any fiscal year exceed the total of appropriated funds available for obligation during that year, the Secretary shall apportion available funds among the applicants taking into consideration the relative effect of each project on the air transportation service to the locality being served, as well as the need to develop a balanced airport system.

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Sec. 5. Advances of Funds. The Secretary is authorized to advance funds to public agencies eligible for assistance under sections 3 or 4 for the purpose of (1) developing an airport layout plan, engineering and architectural surveys, designs, plans, working drawings, specifications, or other actions preliminary to and in preparation for construction, and (2) acquiring a fee simple estate, or other interest in land, including any necessary easement through or other interest in airspace. No advance shall be made hereunder with respect to any project unless it is planned to be constructed within a reasonable period of time and unless the public agency formally contracts with the Secretary to complete the plans or acquisitions promptly and, except where assistance is provided under section 4, to repay such advances or parts thereof when due with interest at the rate established for loans under section 3.

Sec. 6. National Airport System Planning. The Secretary is directed to prepare, within two years following the date of enactment of this Act, a plan for the National Airport System. The plan shall set forth for at least a ten-year period the type and estimated cost of airport development necessary to meet the demand for airport facilities in locations served by air carriers, to meet such requirements in support of the national defense as may be determined by the Secretary of Defense, to meet the special needs of the postal service, and to meet the economic development objectives of the several States and their political subdivisions. In developing the National Airport

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System plan, the Secretary shall consult with the Civil Aeronautics Board, the Post Office and Defense Departments, and other Federal agencies as appropriate; with State and local planning agencies and airport operators; and with air carriers, aircraft manufacturers, and others in the aviation industry. He shall take into consideration, among other things, the relationship of the airports to the rest of the transportation system in the locations being served, to the forecasted technological developments in aeronautics, and to developments forecasted in other modes of inter-city transportation. Landing areas, terminals, passenger parking facilities, special requirements for access to the airport, and other development needs related to the operation of an airport shall be included in the plan. The Secretary shall revise the plan at least once every two years and shall publish a report of progress under the plan since the previous revision.

Sec. 7. Separate Fund. (a) There is hereby created within the Treasury a separate fund which shall be available to the Secretary without fiscal year limitation for the purposes of this Act. The amount of any purchases of evidence of indebtedness, loans, or advances made from the fund in any fiscal year shall not exceed limitations specified in appropriation Acts. A business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847-849)) for wholly-owned Government corporations.

(b) (1) Capital for the fund shall be provided from appropriations authorized under section 9. All amounts received as interest payments, or repayments of principal on evidences of indebtedness loans, and any other moneys, property, or assets derived in connection with this Act, including any moneys derived directly or indirectly from the sale of assets, or beneficial interests or participations in assets, of the fund, shall be deposited in the fund.

(2) All purchases, loans, expenses, and payments pursuant to the operations of the Secretary under section 3 of this Act shall be paid from the fund, including (but not limited to) expenses and payments in connection with sale, under section 302(c) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1717(c)) of participations in obligations acquired under this Act. From time to time, and at least at the close of each fiscal year, the Secretary shall pay from the fund into the Treasury as miscellaneous receipts interest on the cumulative amount of appropriations available to the fund, less the average undisbursed cash balance in the fund during the year. The rate of such interest shall be determined by the Secretary of the Treasury, taking into consideration the average market yield during the month preceding each fiscal year on outstanding obligations of the United States of maturity comparable to the average maturity of loans made from the fund. Interest payments may be deferred with the approval of the Secretary of the Treasury, but any interest payments so deferred shall themselves

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bear interest. If at any time the Secretary determines that moneys in the fund exceed the present and any reasonably prospective future requirements of the fund, such excess shall be transferred to the general fund of the Treasury.

(c) Section 302(c) of the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. 1717(c)), is amended by inserting in paragraph (2) after subparagraph (F), the following:

"(G) The Department of Transportation."

Sec. 8. Definitions.

(1) "Landing area" means that portion of an airport used for, or necessary to the operation of aircraft and includes runways, taxiways, ramps, and aircraft parking areas.

(2) "Public agency" means a State, or Puerto Rico, the Virgin Islands, and Guam, or an agency of any of them; a municipality or other political subdivision; or a tax-supported organization.

(3) "Secretary" means the Secretary of Transportation.

Sec. 9. Appropriations. There are hereby authorized to be appropriated without fiscal year limitation such sums as may be necessary to carry out the provisions of this Act.

Sec. 10. Effective Date. This Act shall take effect July 1, 1969.

SECTION-BY-SECTION ANALYSIS OF A BILL

To authorize the Secretary of Transportation to plan and provide financial assistance for airport development, and other purposes.

Sec. 1. Short Title. This section cites the Act as the "Airport Development Act of 1968".

Sec. 2. Declaration of Purpose. This section sets forth the finding of Congress that, while most airport development can be accomplished through private financing, there is a need for more extensive planning for future airport facilities and the provision of Federal financial assistance where private capital is not available on reasonable terms.

Sec. 3. Airport Loans. This section authorizes the Secretary to purchase securities or make loans for projects for the construction of landing areas and other facilities and interests in land necessary to the operation of aircraft. The loans are subject to certain findings, the most important of which, is that the project cannot be financed on reasonable terms without Federal assistance. It is contemplated that loans would be made for all or part of the project costs, depending upon whether private financing or grants were available for any part of the costs. Securities purchased or loans made could not exceed 30 years maturity, and would bear interest at current Treasury rates. Total loans outstanding could not exceed \$1 billion.

Sec. 4. Grants to Airports Served by Local Service Carriers. This section authorizes the Secretary to make grants for airport development at those airports at which the only certificated service is provided by airlines receiving operating subsidy from the Civil Aeronautics Board. Grants may be made only for projects attributable to the operations of the certificated carrier, and only where the Secretary finds, after consultation with the Board, that the cost of the project does not substantially exceed the value of the service to be provided by the carrier. The Federal share may not exceed 50 percent of the project cost. The total grant authorization is \$100 million. If the demand exceeds funds available, the Secretary must apportion funds, taking into consideration the relative effect of each project on the air transportation service available to the locality served, and the need to develop a balanced airport system.

Sec. 5. Advances of Funds. This section authorizes the Secretary to advance funds to an airport eligible for assistance under sections 3 or 4 for the purpose of preparing plans and specifications, and taking other actions preliminary to construction, including the acquisition of land and interests therein.

Sec. 6. National Airport System Planning. This section directs the Secretary to prepare, periodically revise, and report progress on a plan for the National Airport System which extends for at least ten years; includes all types of development required for cargo, passenger, and aircraft handling; and covers all airport development needed in locations served by air carriers, for the special needs of national defense and the postal service, and to carry out the economic development objectives of State and local governments.

Sec. 7. Separate Fund. This section establishes a separate fund in the Treasury for the purpose of financing the loan program authorized by section 3. The initial capitalization of the fund will be made by appropriations. The Federal National Mortgage Association Charter Act is amended to authorize the Secretary to establish trusts with the FNMA for the resale of obligations acquired under the loan program. All expenses associated with the administration of section 3 will be paid from the fund.

Sec. 8. Definitions. This section defines the terms "landing areas", "public agency", and "Secretary" for the purpose of their use in the Act.

Sec. 9. Appropriations. This section authorizes appropriations necessary to carry out the Act.

Sec. 10. Effective Date. The Act is to become effective July 1, 1969.

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