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U. S. DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20590

REMARKS PREPARED FOR DELIVERY BY SECRETARY OF TRANSPORTATION  
ALAN S. BOYD, BEFORE THE AEROSPACE INDUSTRIES ASSOCIATION  
OF AMERICA, INC., TIDEWATER ROOM, WILLIAMSBURG INN,  
WILLIAMSBURG, VIRGINIA, 6:00 P.M., WEDNESDAY, MAY 22, 1968

I had originally planned to discuss some of the natural laws of air transportation tonight -- such laws as: "What goes up must come down, except during peak hours at Kennedy." Or: "The shortest distance between two points is to stay away from Washington National."

But this week, as you may know, we sent to the Congress a new program we believe will enable the airways and airports of the Nation to keep pace with the incredible demand for air services.

As you may also know, the plan was welcomed with open arms -- some of them of rather large caliber.

So I thought it would be appropriate tonight to discuss some of the calculations and philosophy that guided us in drawing the program as we did.

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There is no question that the high rate of growth in aviation presents a challenge to all of us who are involved in it -- to the Federal Government as operator of the airways system; to the state and local governments as operators of the airports; and to the manufacturers and operators of aircraft.

During the past five years, the number of passengers carried by scheduled airlines in this country nearly doubled. The number will double again in the next five years and by 1977, an average of one million passengers will board scheduled airliners every day of the year.

The growth in airline activity will be matched, and in some ways, exceeded, by the growth in general or private aviation. There are more than 100,000 aircraft being flown for business or pleasure today. In five years, there will be more than 150,000.

Air route traffic control centers -- which last year handled 15-million planes, must be prepared to handle twice that many by 1973. Many airports must plan to handle twice as many aircraft and more than twice as many passengers by that time.

And growth on the airport will require growth off the airport as well. New access roads and transit systems will be needed to move passengers and cargo to and from the terminals.

Nobody questions that this growth is coming. Nor is there any real question about our technical ability to handle it. We know how to build terminals. We are learning to build better ones. Our air traffic control system has provided the country with a remarkably good safety record. ~~safety~~

But there are questions about financing the system required to deal with the growing demands for air service. There are questions involving national priorities and the weight to be given to the needs of air transportation as against the needs of education, defense, the cities and the control of crime and pollution of the environment. There are questions involving the assignment of priorities within the aviation industry itself.

Last September, President Johnson asked us to review both the plans for expanding our airways and airports network and the methods of paying for it. Recognizing the need for additional investment in the systems, the President also said:



"Those who will benefit most from such expenditures, the aviation industry and the flying public, should pay their fair share of the costs of the system needed to handle the increase in air traffic while maintaining a high level of safety. I do not believe the general taxpayer should be asked to shoulder this burden."

Acting within that framework, we have reviewed present policies; we have re-evaluated the priorities in air transportation; and we have produced what we believe is an equitable plan for meeting the challenge of the growth in aviation.

There are no ribbons on this package because there are no gifts in it. It is not designed to make the job of expanding our air system painless; only to make it possible.

In our plan, we propose to increase expenditures for facilities, equipment, research and personnel to operate the air traffic control system. This will include:

--automation of air route traffic control centers so that they may handle more aircraft with greater safety;

--more long-range radars to extend the area in which all aircraft are directed and separated by control from the ground;

--more instrument landing systems to increase safety and decrease delay in operations in bad weather;

--automation of more of the air traffic controllers' workload in the terminal area to make better use of the airspace and to reduce delay;

--radar service at more airports;

--more control towers at smaller airports which are used by feeder lines and air taxis;

--expansion of the Federal Aviation Administration's research and development program to accelerate the development of new systems and techniques for controlling planes;

--and more trained personnel to install, operate and maintain the system and to monitor pilots and planes.

At the present level of taxation, revenues for 1969 would be some \$261 million -- far less than half of what we need to begin such improvements to the airways system. To help close this gap, we are asking the Congress to make four changes in the tax laws:



We ask for an increase in the passenger tax from the present five percent to eight percent.

We ask for a new tax on freight waybills of eight percent.

And we ask for an increase in the tax on general aviation gasoline from the present two cents to ten cents by 1972; and for a tax on jet fuels of seven cents in 1969, rising to ten cents by 1972.

This new tax schedule would produce about \$500 million in revenues to help meet the civil share of the 1969 budget; and about \$760 million by 1973. There would still be a substantial contribution from the general taxpayer.

The reaction from the private fliers of the country is bound to bend the needles on all of our noise abatement equipment. But I believe these proposals are fair and I do not believe they will place an undue burden on any segment of aviation. President Johnson made it clear in his directive to us that there can be no new program without new taxes.

I should, perhaps, make it clear at this point that we do not intend to compromise the safety of the airways in the United States. The jumbo jets with passenger capacities of 400 or more are just around the corner. A single aircraft accident involving one of those would be a national disaster. And it is our intention to reduce the chances of such a catastrophe to the barest minimum. The most effective way would be to improve and expand the air control system and the best way to underwrite that improvement is -- in my judgement -- to follow the plan we have sent to Congress.

But if we cannot maintain a satisfactory level of safety by improving the system, then we shall be required to do so by regulatory action. We simply do not have a choice.

The three percent increase in passenger tax will amount to an average cost of about \$1 per trip.

The 10-cent tax on fuel will add about a half-cent a mile to the cost of flying a single-engine private plane -- a cost that already is some 18 cents a mile. We estimate that in most cases, the fuel tax will add less than three percent to operating costs.

As to equity, there are these facts to consider. Under the present tax schedule, the commercial airliners pay about 82 percent of the costs involved in providing them with the airway facilities and services they use. General aviation pays about four percent of the airways costs that can be attributed to private flying.



In addition, nearly 80 percent of all general aviation flying in this country is done in connection with business so it is tax deductible. Therefore, actual costs to the owner may well be only half of the paper costs. As to the question of ability to pay, Time magazine did a profile of new plane buyers in 1963 which showed a median income of \$33,000. Seventy-five percent of those surveyed told Time they intended to use their planes for business. Those are the most recent figures available, but there is no reason to expect the figures have changed very much.

The program we have sent to the Congress proposes a new Federal approach to the country's airport problems.

The Federal Government owns and operates the airways system, but most airports are owned and operated by state and local governments or by private concerns. They are financed largely by those who use the airports and by the communities they serve.

For the past 20 years, the Federal Government has encouraged local communities to develop airports through a grant-in-aid program that is currently running at a level of some \$70 million a year.

The evidence indicates that most airports no longer need this Federal grant assistance. With few exceptions, the direct users of airports are able to bear the full cost of development and operation. This is certainly the case at airports where the unsubsidized airlines operate.

We find, also, that with the exception of a handful of major airports, most airports in this country are operating below capacity. At those hubs where traffic is straining capacity, private money is available to finance expansion. And in some cases, money is not the problem at all. In New York, for example, no amount of money could solve the problem of finding a site for a fourth jetport.

Very few of the smaller airports charge any landing fee for general aviation. In a survey of the airports in six states, we found only 1.3 percent charging landing fees. In another sample of 41 general aviation airports which had control towers and which received Federal grants from 1962 to 1966, we found that all but seven could have amortized those grants as well as the local costs by charging a landing fee of less than a dollar. A \$1 fee would increase the cost of single-engine airplane operation by about a half-cent a mile.

As a result, we have proposed that the Congress suspend the Federal Aid to Airports Program in 1970 and replace it with



a combination loan-and-grant program. This program which would meet the needs of those few airports which cannot make it on their own or those where there is an established national interest in airport development.

We have asked Congress to establish a revolving fund from which we could make loans to a maximum of \$1 billion to airports that meet our criteria but were unable to find money on reasonable terms except through the Federal Government.

The criteria would include the charging of adequate landing fees; an airport plan consistent with comprehensive planning for the development of the area; and reasonable assurance that the airport would generate enough revenue to repay the loan.

In another section of this proposal, grants would be available to airports whose only certified service is provided by subsidized local service airlines. They would be made on a matching basis from an initial fund of \$100 million in cases where money was not available from private sources on reasonable terms and where the airport met roughly the same criteria that would apply to loans.

Our airport proposal also calls for the preparation of a plan for a National Airport System. The plan would forecast for a ten-year period the kinds of airport facilities and their costs that would be required to meet national needs.

The first of these would be prepared within two years after passage of the bill and would be updated by the Department of Transportation every two years after that.

That is our plan. We base it in part on the fact that the aviation industry has reached a new stage of maturity; a stage at which it is able to pay a fair share of the cost of maintaining safe and efficient service.

We believe the program will provide the capacity which the Nation's transportation requires; that it will increase aviation safety; that it will promote local decisions affecting air service and facilities; and that it will put airways and airport financing on a sound basis.

The partnership of government and industry in the aviation industry is perhaps the best example we have in America of the public benefits of a sensible sharing of responsibilities in transportation. It has enabled this country to build a commercial and private fleet unequalled anywhere.

We do not want to dissolve that partnership. We are, in fact, seeking only to strengthen it. I am confident that these proposals will achieve that goal and will make it possible for American aviation to maintain the world leadership it has earned and deserves.

Thank you.

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