THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

May 4, 1967

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

We respectfully transmit for your consideration a report and draft legislation prepared by the Airports Task Force, established at your direction in November 1966.

In establishing the Task Force, you recognized the critical nature of the airport problem and the need for action now in order that we may meet the rapidly expanding demands in all phases of air transportation. Because of the urgency of financing needed airport development, the Task Force decided at an early date to limit its inquiry to this issue with the recommendation that a reexamination of national airport planning be undertaken on a high priority basis by the Secretary of Transportation.

The Task Force has recommended establishment within the Department of Transportation of a Federal Airport Corporation. The Corporation would have as its purpose provision of Federal assistance through a program of loans and loan guarantees for the construction, alteration and improvement of airports, airport terminals and related facilities. The Task Force believes that the proposed program, together with the existing grant program administered under the Federal Airport Act, would make sufficient resources available to the Nation's airports to allow the expansion which must take place in the immediate future if we are to avoid the danger of strangulation or breakdown in air transportation. It would provide a mechanism for assuring that the Nation has in place on a timely basis an adequate system for airports.

You will, of course, be concerned with the budgetary implications of the legislation which the Task Force has proposed. Implementation of the loan program would require an initial appropriation from the Congress, probably in the neighborhood of $500 million. Additional appropriations would be necessary through the early years but the funds appropriated for the loan program would ultimately be repaid to the Treasury. There would be no requirement for appropriations in support of the loan guarantee aspects of the program. Federal funds would be necessary only in the event of default of a particular obligation.

The Task Force was unanimous in urging your early consideration of the proposed legislation for submission to the Congress during the present session.

We enclose a list of the members of your Airports Task Force, all of whom have served with great understanding and dedication. We also enclose a summary of the Task Force report which outlines the magnitude of our present and future problems and sets forth the conclusions and recommendations of the Task Force.

Respectfully yours,

Alan S. Boyd
Alan S. Boyd
Secretary of Transportation

Charles S. Murphy
Charles S. Murphy
Chairman, Civil Aeronautics Board

Co-Chairmen

Enclosures

May 1, 1967

REPORT

OF

THE PRESIDENT'S TASK FORCE ON AIRPORTS

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I. INTRODUCTION

This Task Force was established by the President for the purpose of examining and recommending a new approach to airport planning and development. The Task Force has determined that a program for making available additional financial resources for airport development is such an overriding consideration that it should receive primary attention. While a reexamination of national airport planning is required, it is less urgent than getting currently needed development projects initiated. Therefore, in order to submit recommendations for financing to the President and, hopefully, secure legislation during this session of Congress, the Task Force decided to so limit its inquiry with the recommendation that a reexamination of national airport planning be undertaken by the Department of Transportation, with an assignment of high priority from the Secretary.

The airport conditions which gave rise to the President's concern are apparent to even the most occasional air traveler. If his trip begins or terminates at one of our major cities, it is quite likely to be marred by delay on the roads leading to the airport, delay in parking his car, delay in checking baggage, delay on the taxiway awaiting takeoff, delay in the air awaiting a turn to land, and, finally, delay in getting his baggage and leaving the airport.[1/] This delay, which may often exceed

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1/ One major domestic air carrier estimates that total departure and arrival delays for its aircraft were 20,559 hours in 1966 (during which there was a 43-day strike) which increased operating costs by $5,920,627. This represents a substantial increase over the carrier's estimate of 18,905 hours in 1965 at a cost of $5,247,728.

the time spent in the air, is the product of congestion. Congestion is the consequence of an unprecedented surge in the growth of air transportation.

Although existing delays might be described as "bad but tolerable," there is every reason to believe they will shortly become intolerable. There are presently coming into the airline fleet a variety of so-called "stretched" jets which will increase the seating capacity of existing 4-engine jets from 125 to over 200 and the capacity of the 2- and 3-engine jets from 90 to 130. By 1969, the first "jumbo" jet (the Boeing 747) with a seating potential in excess of 350 is expected to enter service. There are already 73 of these aircraft on order by U.S. carriers and 34 by foreign flag carriers. By 1972, the British-French supersonic transport "Concorde" is expected to be in service, to be joined by the U.S. SST in 1975. In the 1970-75 time period, the entry into service of the "airbus," a 2-engine, 250-seat short-range transport is likely. The introduction in inter-city service of vertical and short takeoff and landing aircraft (V/STOL) is also a potentiality for this time period. These dramatic technological changes in air transportation are expected to accompany and accelerate the equally dramatic changes already occurring in our nation's travel habits.

The extent of this change in travel habits is easily perceived. In the five-year period fiscal years 1962-66, the passengers enplaned by U.S. scheduled air carriers increased from 66.6 million to 113.9 million.[2/]

2/ This includes both domestic and international U.S. carriers. It does not include enplanements by supplemental air carriers or foreign flag carriers.

The passenger-miles flown by these carriers increased from 42.5 billion to 76.4 billion. The mixture of the aircraft fleet required to provide this transportation changed from a predominantly piston fleet in 1962 (67%) to a predominantly turbine-powered fleet at the end of 1966 (62%). The predominance of air transportation as the prime intercity common carrier of passengers is evidenced by the fact that in 1966 the air carriers accounted for six out of every ten intercity common carrier passenger-miles. This is to be compared with only two out of ten in 1951.[3/]

This very healthy rate of passenger growth was exceeded by the rate of growth of air cargo. In the same five-year period, revenue ton-miles of cargo carried by U.S. certificated airlines doubled, increasing from 1.6 billion to 3.5 billion. The ton-miles flown in 1966 were more than five times the ton-miles flown in 1956. The rapid rate of growth in recent years is attributable not only to the buoyant economic conditions, but to the sharply reduced rates made possible by the economics of the new cargo jets.

This growth in commercial aviation was paced by the growth in general aviation, or non-airline flying. In the 1962-66 period, the general aviation fleet increased from 84,000 aircraft to 104,000. The

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3/ At the same time, the benefits of air transportation are being extended to an ever-widening segment of the population. A 1966 survey conducted by the Gallup Organization showed that 42 percent of the U.S. adult population had flown on a commercial airliner; up from 34 percent just two years earlier. If this growth trend continues, by next year a majority of the adults of the United States will have taken an airline trip, while 60 percent will have done so by 1970.

increase in the performance capability of this fleet was more dramatic, however, as indicated by the four-fold increase in the turbine-powered component of the fleet. The production and absorption into the fleet during this period of 40,000 new aircraft with an average selling price in 1966 of about $30,000 is another indication of the degree of improvement in overall quality of the fleet. The hours flown by the general aviation fleet increased 25 percent, rising from 14 million hours in fiscal year 1962 to 17.5 million hours in fiscal 1966. Business and commercial flying accounted for 55 percent of the total.

The impact of this past growth on our nation's airports can be measured in two ways. The 71 percent increase in enplaned passengers is one indicator of the strain placed on terminal building, parking, and other passenger service facilities. The total aircraft operations handled at airports with FAA traffic control service provides an indication of the load placed on runways, taxiways, ramps, etc. Operations at these airports increased 50 percent, rising from 27.4 million in 1962 to 41.2 million in 1966.

The last five years of growth placed an unprecedented demand on our nation's airports for additional facilities. This demand was met through a capital investment program by Federal, state, and local governments of $1.43 billion. Approximately 70 percent of this burden was carried by local governments, 9 percent by the states, and 21 percent by the Federal Government. Even with this huge investment we have not succeeded in keeping pace with all of today's demand. At best, we have simply laid the base for the growth which will occur over the next ten years.

By 1977, passenger enplanements by U.S. certificated air carriers are expected to triple, rising to 352 million. Passenger-miles flown should increase 3 1/2 times, rising to 266 billion. It is anticipated that the rate of growth of air cargo will continue to exceed that of passengers, reaching an annual volume on the order of 15 billion ton-miles by 1977. The U.S. airline fleet is expected to increase to 3,500 aircraft, or 70 percent more than today's fleet -- and it will be virtually an all-jet fleet. 1,000 new turbine-powered aircraft will be delivered to the airlines between now and 1972. The value of these aircraft exceeds $7 billion. Total airline capital expenditures for both flight and ground equipment are expected to total $17 billion during the next ten years.

The expectations for the next decade are fully as promising for the growth of general aviation. The general aviation fleet should almost double, reaching a total of 180,000 aircraft. The turbine-powered component of the fleet is expected to increase eight times, to an expected level of 8,000. This fleet will be flying a total of 35 million hours in 1977, double the hours flown in 1966. Given the higher performance capabilities of the 1977 fleet, the miles then flown by general aviation would be substantially more than double.

Looking at the impact which this growth will have on our airports, total operations at airports with FAA towers will reach 139 million. This compares with 41 million in 1966. The impact which 240 million additional passengers would have on the currently congested terminals, parking lots, and access roads, is self-evident.

This, in broad outline, is the airport problem which concerns the President, and with which the Task Force has attempted to deal.

II. DISCUSSION

A. Nature and Scope of the Problem

Viewed nationally, the "airport problem" has many facets. The problem is not the same at any two airports and, in many cases, is not even similar. There is a common genesis, however, and that is growth -- growth in the movements of aircraft, people, and goods and growth in the size and performance capabilities of aircraft.

While the growth in the movements of aircraft, people, and goods has been felt at all airports, it has become a critical capacity problem at the large hub air carrier airports.[4/] Examining the growth in enplaned passengers at six of our largest airports points this up. Between fiscal years 1962 and 1966, the numbers of domestic enplaned passengers at these airports increased 77 percent on the average.[5/] The number of aircraft movements increased at a slower rate due to the replacement of

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4/ A "large hub" is a metropolitan area enplaning 1 percent or more of the national total of enplaned passengers. There are 22 such hubs containing 28 air carrier airports.

5/ Chicago O'Hare increased from 4.8 to 10.0 million; New York's JFK from 3.7 to 5.3 million; Washington National from 2.3 to 3.7 million; Miami International from 1.6 to 2.5 million; San Francisco International from 1.9 to 3.7 million; and Los Angeles International from 3.1 to 5.6 million. These figures do not include enplanements by supplemental carriers or intra-state carriers. One of the latter, Pacific Southwest Airways, enplaned 1.7 million passengers at Los Angeles and San Francisco last year! It should also be noted that "enplanements" only measure approximately half the passenger load placed on terminal facilities. Total passengers handled would be about double the figures cited.

piston aircraft with the larger capacity jets but, even taking this factor into account, air carrier operations at these six airports increased an average of 34 percent.

This increase in the movement of aircraft and people at the large hubs was not limited to the airlines. Looking at the four major airports in the New York area, while air carrier operations were increasing by 187,000 (34 percent) from 1962-66, general aviation operations were increasing by 142,000 (37 percent).

At these and similar airports, this growth in travel has created demands for larger terminal buildings, larger parking lots, more ramp space, taxiways, and runways for aircraft -- in effect more of everything required to handle aircraft, people, and goods.

This growth has also created a need for more airports. Given the long lead time required to develop a major airport, work should be started now on a fourth jetport in the New York area. The possible requirement for a second jet airport at all large hubs in the 1975-80 time period should be evaluated now. Such a requirement is already apparent in the Los Angeles, Chicago, and Miami areas. To increase the capacity at these and other large air carrier airports, there is also a need for many new "reliever" airports -- airports which will divert the smaller general aviation aircraft from the air carrier airport.

The growth in the size and performance capabilities of aircraft has posed a different set of problems. Due to the great capacity of the jumbo jets, it is not sufficient simply to provide more of existing types of facilities. This aircraft creates a requirement for handling hundreds of people at each gate position, and for moving vastly larger amounts of cargo in a manner which is efficient but still compatible with mass passenger handling. This will require the development of entirely new concepts of terminal design which may not even be compatible with existing facilities. In time, this problem will confront every airport whose traffic potential makes it a candidate for jumbo jet service. This would probably include at least thirty of the nation's airports by 1975.

The growth in technology poses a problem at the smaller airports as well. In this case, it is a matter of the jet age having become commonplace. The transition to jet equipment by the trunk carriers is substantially completed. The impact of that transition on the large airports is reflected in the development which has taken place in the last five years. The same process is now underway at the smaller airports as a result of the continuing transition of the trunks on their low-density routes and the reequipment plans now beginning to be implemented by the local service carriers. The transition by local service carriers to jet equipment[6/] in time will require extensive runway improvements at several hundred airports. In a similar fashion, the coming of age of private air transportation as a provider of mobility for the businessman

6/ The current local service turbine fleet of 160 aircraft is expected to increase to 500 by 1973.

is being felt in hundreds of our smaller non-air carrier airports. At these locations, the problem is one of upgrading facilities to accommodate the small business jets and multi-engine piston and turboprop aircraft.

B. Current Development Requirements

1. National Requirements

The nation has critical airport needs but the needs are not critical at every airport in the sense that failure to move immediately on every project will incur the risk of crippling the nation's air transportation system. However, virtually every airport has development projects pending and these should be carried out in an orderly fashion. Before proceeding to a detailed examination of the more critical problem areas which compel action now, it is desirable to place the total of these national requirements in perspective.

There are 4,015 airports included in the current National Airport Plan. Total development requirements at these airports for the five-year period 1968-72 are estimated at $1.53 billion, excluding terminal area needs. Of this total, $355 million is required for land acquisition, $915 million for site preparation and paving, $113 million for lighting, $16 million for safety buildings, and $130 million for miscellaneous improvements. These requirements are exclusive of development resulting from introduction of the jumbo jets. While the main impact of this aircraft will be on the terminals, extensive work can be anticipated to increase apron space, enlarge pavement fillets, etc.

Estimates of terminal area requirements, which are not eligible for Federal aid so not included in the National Airport Plan, have been made by the industry. For the 1966-69 time period, the estimate was $760 million. Adding this amount to the National Airport Plan estimate would indicate total requirements through 1972 of at least $2.3 billion. This figure would be exclusive of both terminal and other airport development necessitated by the jumbo jets. If such costs were included, minimum requirements through 1972 would appear to be on the order of $3 billion.

There can be no doubt as to the financial strain created by these requirements. In the five-year period 1961-65, during which there was a major rebuilding program to accommodate the introduction of jet equipment, airport construction expenditures in the United States totaled $1.43 billion. To meet the requirements forecasted, expenditures would have to double! As stated earlier, all required development cannot be considered critical and, undoubtedly, some desirable projects can be deferred or scaled down. But even after making such adjustments, a massive job remains to be done. This becomes more evident as one examines these national requirements in detail.

2. Special Problem Areas

Of the $1.53 billion non-terminal development required in the 1968-72 period, approximately $352 million is required for 26 of the large hub air carrier airports, $302 million for the medium and small hub airports served by trunk carriers, and $310 million for airports served exclusively by local service carriers. Related to the air carrier requirements is an additional $104 million for construction of 74 new reliever airports.

Looking first at the large hubs, we find a requirement for new land of 23,000 acres at a cost of $111 million, with the highest per acre price exceeding $33,000. The cost of new runways and taxiways is estimated to be $102 million. These improvements are directed at meeting increases in aircraft movements.

In the category of improvements necessary to meet the growth in size and performance of aircraft at the large hubs are the widening, extension and strengthening of runways. These costs exceed $60 million. The lighting costs for both new and improved runways, taxiways, and aprons exceed $14 million. Finally, $64 million is required for miscellaneous improvements such as clearing and site preparation. The largest single item in this category is an estimated $42 million for site preparation of a fourth New York jetport. None of the costs beyond site preparation are included in the current National Airport Plan but the total cost of developing this particular airport has been estimated at more than $250 million!

The second special problem area involves those smaller air carrier airports where the transition to jet aircraft by both trunk and local service carriers has obsolesced existing runways. The total cost for runway lengthening and strengthening at these 253 airports is estimated at $260 million. There are two groups of airports in this category -- those now receiving jet service under restricted load conditions (62) and those where jet service is expected by 1970 (191).[7/] In the latter group are numerous locations where expansion of existing airports is not possible so entirely new airports must be constructed.

In the first group are cities such as Grand Forks, Elmira, Des Moines, and Chattanooga. Here the critical aircraft have become the B-727, DC-9, and BAC-111. Runway extensions, strengthening, and related improvements at such locations generally exceed $1 million per airport.

In the second group are cities such as Columbus (Ga.), Ottumwa, Lawton, Nantucket, Macon, and Daytona Beach. Here the critical aircraft will be the DC-9. Improvement costs range up to almost $2 million. In those instances where new airports will be required, for example Brunswick (Ga.), Sarasota, Key West, and Mosinee, costs will range up to $4 million.

The third special problem area is that of accommodating the growth of general aviation at hub airports. This growth has created congestion

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7/ In the local service carrier system, there are currently 263 airports with weight or length restrictions which prevent full utilization of certain types of aircraft already in the fleet.

at air carrier airports and is due primarily to the absence of suitable alternative airports for general aviation use. Thus, the concept of the "reliever" airport which will relieve congestion at the hub airport by diverting general aviation users. As stated, the current Plan indicates a need for 74 new reliever airports, located in 27 different states. The typical cost of airports in this category is about one-half million dollars, exclusive of terminal facilities. Since they will relieve the high-facility-cost air carrier hub airports such as those in Boston, New York, Detroit, Chicago, Denver, Los Angeles, Miami and elsewhere, the relievers will supply additional capacity at relatively much lower costs.

3. Post-1972 Requirements

Even if the nation is successful in accomplishing the most urgent development required in the next five years, there is no assurance of a respite. Quite the contrary. As stated in the Introduction, current forecasts show a continued healthy rate of growth in aviation through 1977. If the rate of growth should start to decline at that point, one can still assume a large absolute growth will continue in the 1980-90 time period. This fact serves to underscore the need for an entirely new and more effective approach to anticipating aviation growth, determining the resultant airport requirements, and carrying through with the necessary development.

Meeting the requirements presently projected through 1972, will not satisfy our airport needs for any substantial period beyond that date.

The growth in aircraft operations projected for some of the key terminals bears this out. Thus, it is estimated that air transportation demand would require that John F. Kennedy International handle 753,500 operations annually by 1975. This is to be compared with the 438,670 operations handled at that airport in 1966. At Chicago's O'Hare, 1975 projections of demand would require the handling of 999,500 operations annually, compared with 562,975 in 1966. At Los Angeles International, projected demand would result in 671,500 operations by 1975, compared with 415,433 in 1966. The estimates of 1975 demand would require that these airports handle a staggering volume of domestic and international enplaned passengers, increasing from 8.0 million to about 21 million at Kennedy, from 7.2 million to about 19 million at Los Angeles, and from 10.4 million to about 27 million at O'Hare. Total passengers handled would be double these amounts!

These projections of growth raise a central point which must be made perfectly clear. The projections are estimates of the public's demand for air transportation services in 1975. The question is whether the facilities necessary to accommodate this demand will be built. This, of course, is the reason for the existence of this Task Force. It is quite obvious that the increases in aircraft operations, passengers, and cargo projected for these terminals in 1975 can be handled only by timely and substantial improvements to existing airports, and the creation of new airports. Thus, the growth will occur only if there is affirmative action by government and industry which permits it to occur!

C. The Need for Financial Assistance

Having examined the magnitude of the airport development problem confronting the nation, the question must now be posed "Are existing financial arrangements sufficient to cope with the problem?" The existing arrangements consist of predominantly local financing through general obligation or revenue bonds, supported by Federal grants-in-aid. User charges in some form (such as landing fees, rentals, concessions, tie-down charges, etc.) are imposed at most airports but only at the larger airports are these charges sufficient to cover bond payments.

Publicly-owned airports have traditionally been heavily supported by the Federal Government. The first direct appropriations were made in 1940 under the Development of Landing Areas program. Under the Surplus Property Act of 1944, hundreds of military airbases were given to states and municipalities for use as public airports. Under the Federal Airport Act of 1946, approximately $1 billion has been provided through grants-in-aid. While this aid has been of substantial assistance, it has amounted to no more than 22 percent of total airport expenditures during the period. The balance has been provided by the airport owners.

Although these methods of airport financing have not been unsuccessful -- the nation does have a very good airport system by any standard -- they have not been entirely adequate. The Task Force is convinced they will be inadequate in the future. The rapidly rising demands for local capital expenditures of all types is creating an unprecedented squeeze on the financial resources of our communities. Local capital expenditures have increased from $2.7 billion in 1947 to $20 billion in 1965, or 7 1/2 times. By comparison, private business expenditures in non-residential structures and equipment have only tripled. It is estimated that by 1975, there will be an annual requirement for local capital expenditures in excess of $40 billion. Thus, the demand for local resources will remain high.[8/]

While there is this great demand for resources, the airport, unlike many other objects of local capital investment, is a revenue-producing facility. Indeed, the larger airports are very good revenue producers. The problem at these airports is not one of a long-run inability to finance development but rather a short-run inability to obtain the financing necessary to make the improvements, which are necessary to generate more revenue. This short-run inability stems from local debt limitations and restrictions accompanying outstanding bond issues. Artificial debt ceilings are inappropriate when applied to viable, self-sustaining airports. These restrictions are within the control of the local and state

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8/ State and Local Public Facility Needs and Financing, Vol. 1, 1966, page 35. Study Prepared for the Subcommittee on Economic Progress of the Joint Economic Committee, Congress of the United States.

governments and can be removed. Restrictions accompanying existing bond issues generally arise from the lender's desire to protect his interest by inhibiting the airports ability to enter into subsequent indebtedness.

In some cases, there is apparently insufficient local incentive for planning and commitment on the urgent basis required to raise the very substantial sums of money needed to accomplish large projects in short time periods. Here the Federal Government can offer some incentive in the form of financial assistance but it cannot provide the basic motivation needed.

At the smaller airports, where revenues are insufficient to discharge revenue bonds, improvements are usually financed through the issuance of general obligation bonds or from other general tax sources. Many of the local service and "reliever" airports are in this category. It is at these airports that Federal grants-in-aid have been most essential in terms of inducing needed development.

There is no reason to expect any improvement in the ability of these communities to finance development through general taxation. There may be opportunities to increase and broaden the application of user charges, thus obtaining a more equitable balancing of the financial burden.

III. CONCLUSIONS AND RECOMMENDATIONS

The Task Force concludes that:

1. Maintenance of an effective air transportation system is vital to our national well-being. The efficiency and comfort of the jet aircraft have brought air transportation within the reach of the vast majority of our people and it now plays an indispensable role in their pursuit of business and pleasure. If the benefits of the aircraft are not to be vitiated, the development of the nation's airports must keep pace. Action must be taken now, by the Federal, state, and local governments and all segments of the aviation industry to assure the timely completion of the facilities needed to meet the demand for passenger and cargo services which already exists and which will increase dramatically over the next decade.

2. The nation's larger airports have the capability, using internally generated funds, to provide for their immediate and long-term development needs. Federal assistance is required to provide financial arrangements which will permit them to use the capabilities they possess to the fullest extent possible, and to do the job in a much shorter time period than local authorities have been accustomed to considering in the past.

3. Given the increasing financial burdens being assumed by our communities for a host of public facilities and services, many of which are equally as urgent as airport facilities, it must be assumed that the percentage of local general tax revenues being devoted to airports cannot

be significantly increased. At those smaller airports which do not internally generate sufficient funds to support development needs, Federal grants-in-aid will continue to be required as a supplement to local taxation. Such grants recognize that a national interest exists in providing air service to small communities. In the final analysis, however, the most direct beneficiaries of an airport are the passengers, shippers, and aircraft operators who use it. To lessen the burden on tax and grant programs, user charges should be set at levels which reflect these benefits.

To meet the most urgent of the nation's airport needs and to provide the means for coping with future requirements, the Task Force recommends:

1. Legislation should be proposed to the Congress which would establish a Federal Airport Corporation within the Department of Transportation with the authority:

   a. To make loans both to public and private organizations for the purpose of developing new airports or improving existing airports, including all facilities and land related to the operation of the airport;

   b. To guarantee private lenders of funds for airport development against loss of principal or interest;

   c. To make advances to cover the acquisition of interests in land, project planning, engineering, and design costs, and construction costs pending completion of long-term financial arrangements; and

3. Each state should undertake a review of debt-ceiling limitations as these affect the ability to finance airport development in the several states. The state aviation commissions and local airport operators should provide the impetus for such a review in their respective states.

4. The Federal Airport Corporation should explore with lending institutions conditions under which existing loan restrictions which inhibit further indebtedness could be modified or removed in appropriate cases.

5. The Secretary of Transportation should initiate a study within the Department to improve airport planning. This should be a comprehensive study which examines not only the intercity network of airports and their adequacy to meet future aviation demand, but also the entire question of the airport in relation to its local environment. Thus, the study should examine how Federal, state, and local efforts can be better coordinated to assure that the time advantages of an effective air transportation system are not negated by ineffective ground access systems, and to assure that the airport is fully compatible with other community needs.

6. The extension of the Federal Airport Act will need to be considered next year. The Act should receive a fundamental reexamination in light of the experience gained under the programs proposed above and the needs existing at the time. Further extension of the Act should be premised on a long-range view of national airport needs -- at least the 1970-80 time period -- not simply another three years.

ADDITIONAL VIEWS

Various members of the Task Force have offered additional views which warrant individual comment.

The Efficacy of the Loan Program. The belief was expressed that the loan program proposed by the Task Force would not make as much of a contribution to the airport financing problem as the majority of the Task Force believed. This was based on the proposition that a number of airports would not be able to take advantage of loans because of state limitations on the amount of outstanding debt, the priority claimed by existing debt, or inadequate revenues with which to repay a loan.

The Task Force, of course, recognizes that these problems exist but has concluded that a Federal loan program will be of substantial value and that, once it is made available, ways will be found to utilize it which do not exist at present. Several methods of providing added inducement or avoiding existing limitations have been suggested. For example, both the Federal loans and the loans guaranteed by the Government could be unsecured with a maximum flexibility in the repayment schedule. Interest might be capitalized during the construction period and not payable until completion of construction. There could also be a grace period after completion when no amortization of principal would be due. In addition, or alternatively, amortization might be less than pro rata during the early years of operation with a corresponding increase in the later years of the loan. Where further indebtedness was precluded by the priority of existing debt, the Government debt might be subordinated.

It was suggested that the proposed bill should expressly prohibit the Government from undertaking financing where equally attractive private financing is available. Certainly, it is not the intent of the Task Force that the Government program needlessly supplant private financing. However, its operations should not be impeded by rigid requirements that would defeat the very purpose of the legislation. The Task Force felt that any findings in this regard should be left to the discretion of the Board of Directors.

<u>Expansion of the Federal-Aid Airport Program.</u> Some Task Force members were of the view that in lieu of a loan program the existing grant-in-aid program should be greatly expanded -- on the order of $300-400 million annually. While there was some opposition to imposing any user charges for airport development, some proponents of the expanded grant program argued that it should be financed through an increase in the fuel tax or passenger ticket tax. The Task Force report reflects the majority view that where there is sufficient revenue potential at an airport, a loan program offers the most direct and equitable means of financing the development of that airport. A grant program should be limited to those airports where loans are not feasible because of insufficient

revenue potential, or in some cases, to the portion of the costs which cannot be covered by loan servicing because of insufficient revenue potential.

Reservations as to Certain Authority Granted the Corporation. Some members of the Task Force believe that certain proposed grants of authority to the Corporation are unnecessary, specifically with respect to the authority of the Corporation to construct and operate airports where necessary; its authority to condemn land or interests in land; and its authority to set standards, terms, and conditions as a prerequisite to a loan. As to the power to construct and operate an airport, the Task Force considered this to be of a standby nature to be used only when absolutely necessary to meet an airport need. Further, it would be subject to review by the Congress in making appropriations. The power of condemnation is considered to be necessary to facilitate an adequate program for providing needed airport facilities. The Task Force considers that the authority to set standards, terms, and conditions as a prerequisite to a loan is appropriate not only to assure that the Corporation has sufficient authority to protect its investment but also to assure that funds loaned or guaranteed by the Federal Government are not used for purposes inconsistent with Federal policies for the development of air commerce. It is not intended that the Corporation inject itself into the airport management process.

Finally, it should be noted that there was not unanimity regarding the composition of the Board of Directors and the authority vested in the Secretary of Transportation. It was the view of the majority that a Government program for making and guaranteeing loans with Federal funds should be effectively controlled by responsible Government officials and that the proposed arrangement maintains this control while allowing for consideration of the views of outside interests.

LEGISLATION RECOMMENDED BY THE
PRESIDENT'S AIRPORT TASK FORCE

STATEMENT OF PURPOSE AND NEED FOR A BILL

"To create a Federal Airport Corporation for the purpose of providing Federal assistance in connection with the construction, alteration, or improvement of airports, airport terminals, and related facilities, and for other purposes."

The purpose of the bill is to implement recommendations contained in the May, 1967 report of the President's Airport Task Force. The Task Force was directed by him to recommend a program for the planning and development of a national system of civil airports adequate for the present and future needs of air operations in the United States. The Task Force concluded that the Department of Transportation possessed adequate authority under existing law to formulate appropriate plans for airports and terminal facilities for public use. It further concluded, however, that additional legislation was needed to stimulate the development program through providing for airport financing to undertake the necessary construction and improvements.

Airline and general aviation operations play an ever increasingly important role in the nation's economy. The report by the Task Force indicates that today six out of every ten common carrier passenger miles between cities is by air. Today's passenger volume may be expected to triple within the next ten years, rising to 352 million. Air cargo is expected to increase at an even greater rate, and well may reach six to eight times its present volume within the next ten years. General aviation activities, i.e., private flying and commercial flying other than scheduled operations, are likewise expanding. All of these factors point to a need for positive action to cope with present and future airport needs.

The airport crisis is already at hand, and prompt action is necessary both to prevent a future clogging of this vital line of commerce, and to alleviate the present situation. With respect to scheduled services, new terminal facilities are needed to speed the loading and unloading of passengers and cargo, and extensive construction of landing areas is required. One thousand new turbine-powered aircraft will be delivered to the airlines between now and 1972. Of airports now receiving scheduled services, improvements will be required at 253 if present plans for jet service by 1970 are to be realized. In the next ten years, the airline fleet is expected to increase by 70% to a virtually all jet fleet of 3500 planes. Additional runway and terminal area construction must be undertaken to accommodate these aircraft and to provide the public with necessary transportation service. Furthermore, improvements in existing facilities are necessary to meet immediate service needs. Of the 611 airports served by the certificated local service, Hawaiian, and Alaskan carriers--the ones principally serving the smaller cities--263 have weight or length restrictions which preclude their full utilization by the aircraft now being utilized by these carriers. Unless extensive construction is undertaken now, 115 more airports will be added to this category in the next 18 months in light of equipment now on order which will be placed in operation during that period.

With respect to general aviation operations, the need for action is also acute. Civil flying other than scheduled operations currently accounts for more than 72 percent of all landings and takeoffs at airports where the FAA operates control towers. The general aviation fleet is expected to increase from the present 100,000 aircraft to 180,000 by 1977, and to include some 8000 turbine-powered aircraft. While there are approximately 9500 civil airports in the 50 states, almost two-thirds of them are privately owned with no assurance of continued operation in light of the more profitable use to which the land involved can be put. Each such airport which ceases to function results in a transfer of the aircraft which used it to another, thus increasing actual and potential congestion at other airports, and particularly those served by the public carriers.

The Report estimates that a total expenditure of $3 billion will be required during the period 1963-72 to meet minimum airport and airport facility needs, and that many more billions will be required within the next ten years. Of these amounts, 40 percent will be required for terminal building or terminal area development, items which presently are not eligible for assistance under the Federal Airport Act. Moreover, on the basis of past experience, the necessary capital outlay for the next five years will require the issuance and sale of some $2.4 billion in bonds by the government instrumentalities operating public airports (mostly municipalities

1/ A recent survey of a fairly representative cross-section of airport management indicates that the percentage distribution of airport capital financing was as follows: (1) approximately 13% general obligation bonds; (2) 68% revenue bonds; and (3) 19% "other sources".

The report points out the difficulties which the cities encounter in attempting to issue bonds for airport construction, particularly with respect to revenue bonds, and also points out that efforts to obtain funds for airport developments must compete with similar efforts on the part of other worthwhile objectives. The Task Force's conclusion is that it is unlikely that the necessary financing will be obtained through these traditional methods, and hence that the Federal government should stimulate and assist the airport operators in seeking and obtaining the necessary funds. At the same time, however, the Task Force recommended that, to the extent feasible, the ultimate costs of providing an adequate airport system should be borne by the airport operators and users.

Accordingly, the Task Force recommended legislation to achieve these purposes. Such legislation would assist the airport operators in obtaining the necessary construction funds either through direct government loans to them or through government guarantee of loans obtained from private sources, and also would provide for advances in appropriate cases to insure prompt institution of construction. The Task Force also recognized that local governmental interests might not be able in all instances to undertake the development of airports necessary to the effective functioning of the air commerce system, and that in some cases the Federal government might find it necessary to construct and operate such airports or to make loans to private operators for their construction.

The instant bill would implement these recommendations by creating a Federal Airport Corporation within the Department of Transportation. The Corporation would be empowered to make and guarantee loans for the construction, alteration or improvement of airports and terminal facilities to governmental and private operators of airports for public use. Where found necessary or desirable by the Secretary of Transportation, the Corporation would be authorized to construct, operate and maintain an airport and related facilities.

The Corporation would be located within the Department of Transportation and with the approval of the Secretary of Transportation would be authorized to utilize the facilities and employees of the Department in discharging its functions. It would be managed by a Board of Directors consisting of the Secretary of Transportation, the Administrator of the Federal Aviation Administration, the Chairman of the Civil Aeronautics Board, and six other persons appointed by the President by and with the advice of the Senate. Actions of the Board of Directors would be subject to the approval of the Secretary. The Corporation would have the usual powers of a government corporation. It also would have the power to acquire, by condemnation or otherwise, lands and easements in airspace necessary to the construction and operation of airports by it, and to utilize those powers to acquire similar properties and rights on behalf of organizations receiving financial assistance under the Act.

The necessary funds for carrying out the Corporation's functions would be provided by Congressional appropriations and credited to a revolving fund to be established in the Treasury for purposes of administering the over-all program. The Corporation would be placed under the "Participation Sales Act of 1966" so that its evidences of indebtedness could be sold through the Federal National Mortgage Association.

LEGISLATION RECOMMENDED BY THE PRESIDENT'S AIRPORT TASK FORCE

A BILL

To create a Federal Airport Corporation for the purpose of providing Federal assistance in connection with the construction, alteration, or improvement of airports, airport terminals, and related facilities, and for 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 "Federal Airport Corporation Act".

Declaration of Purpose

Sec. 2. The Congress hereby finds that the existing system of civil airports and airport terminal facilities within the United States is rapidly becoming inadequate to meet the present and future needs for civil aviation operations required in the interests of the foreign and domestic commerce of the United States, of the Postal Service, and of the national defense; that there is a primary responsibility in the Federal government to plan, encourage and assure a system of airports adequate to meet those needs; that financial assistance beyond that provided under existing laws is necessary to assure an adequate system of airports and airport terminal facilities; and that the costs of providing and maintaining such airports and facilities should, insofar as practicable, be borne by airport operators and the users of airports.

Creation of Federal Airport Corporation

Sec. 3. For the purpose of implementing the national airport plan developed by the Secretary of Transportation pursuant to his authority under the Department of Transportation Act and section 3 of the Federal

Airport Act and otherwise assisting in the construction and operation of airports for public use, there is hereby created as an agency of and within the Department of Transportation a body corporate to be known as the Federal Airport Corporation (hereinafter referred to as the "Corporation"). The principal office of the Corporation shall be located in the District of Columbia, but the Corporation may establish offices in such other place or places as it may deem necessary or appropriate in the conduct of its business.

Management of Corporation

Sec. 4. (a) The management of the Corporation shall be vested in a Board of Directors (hereinafter referred to as the "Board"). The Board shall consist of the Secretary of Transportation (hereinafter referred to as the "Secretary"), the Administrator of the Federal Aviation Administration, and the Chairman of the Civil Aeronautics Board, each of whom shall serve as an ex officio member, and six other persons appointed by the President by and with the advice and consent of the Senate to hold office at the pleasure of the President, not more than three of whom may be persons who are otherwise employed by the Government of the United States. The Secretary shall serve as the Chairman of the Board. The Board shall elect the other officers of the Corporation.

(b) The Board shall meet at least once each month, and at such other times as it may determine. Meetings of the Board may also be called by the Secretary. Each ex officio member may designate an officer of his agency to act for him as a member of the Board with respect to any matter there considered. A majority of the directors shall constitute a quorum of the Board, and action shall be taken only by a majority vote of those present. Actions of the Board shall be subject to the approval of the Secretary.

(c) The directors of the Corporation who are employed by the Federal Government shall receive no additional compensation for their services as such directors, but may be allowed necessary traveling and subsistence expenses when engaged in business of the Corporation. The members of the Board who are not employed by the Federal Government shall be paid such compensation for their services, and allowed such necessary traveling and subsistence expenses, as the Secretary shall determine in accordance with applicable law.

Functions of Corporation

Sec. 5. (a) The Corporation is authorized, subject to such terms and conditions as it shall prescribe, to purchase the securities and obligations of, or make loans to, any State or political subdivision thereof, or any private or public organization for the construction, alteration, or improvement of airports for public use and related terminal buildings and other airport facilities, including public parking areas, airport roadways, hangars, cargo buildings, and related support systems, within the United States, its Territories, and possessions, 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 it finds that:

(1) the project for which financial assistance is sought will be consistent with the national airport plan developed by the Secretary;

(2) the entity requesting the financial assistance will comply with such standards, terms, and conditions as may be prescribed by the Secretary or the Corporation concerning the uses, physical characteristics, and features of the airport, terminal, and related facilities; fees and charges for landing and for other airport facilities; and the use of airport receipts for airport purposes;

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

(4) 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 40 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 Corporation to cover administrative costs and probable losses.

(b) The Corporation is authorized to guarantee as an obligation of the United States, subject to such terms and conditions as it shall prescribe and upon the findings specified in subsections (a)(1) through (a)(4), any lender against loss of principal or interest on any securities, obligations, or loans issued to finance any project within the scope of subsection (a) of this section. The maturity date of any such securities, obligations or loans, including all extensions and renewals thereof, shall not be later than 40 years from their date of issuance. The Corporation shall prescribe and collect from the entity issuing the securities or obligations, or from the institution making the loan a reasonable annual guarantee fee in connection with any guarantee under this Act.

(c) In order to assist and encourage the sponsorship of airport projects consistent with the national airport plan developed by the Secretary, and the timely acquisition of land planned to be utilized in connection with the future construction of such projects, the Corporation is authorized to make advances to public agencies (as defined in section 2(7) of the Federal Airport Act, 49 U.S.C. 1101(7)) which will (1) cover the planning costs of engineering and architectural surveys, designs, plans, working drawings, specifications, or other actions preliminary to and in preparation for the construction of airport projects eligible for any type of assistance under this Act, including such activities as may be necessary to meet the requirements of the Secretary or the Corporation for obtaining such assistance, and

(2) enable the acquisition of a fee simple estate, or other interest in such land, including any necessary easement through an interest in air-space. 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 Corporation to complete the plan or acquisition promptly and to repay such advances or parts thereof when due with interest at the rate established for loans under subsection (a) of this section.

(d) The Corporation is authorized, when it determines that the construction of a project for which there is an urgent need may be unduly delayed by reason of the time required by any public agency (as defined in section 2(7) of the Federal Airport Act, 29 U.S.C. 1101(7)) to complete all activities necessary to obtain financial assistance under the provisions of this section, to advance funds to such agency in amounts reasonably required to permit the commencement of such construction and the continuation thereof until final authorization of the long-term program of financial assistance. Such an advance shall not exceed one-half of the estimated net project costs. No advance shall be made hereunder unless the public agency formally contracts with the Corporation to complete promptly all activities necessary to obtain the long-term financial assistance and to pay interest on the amounts advanced at the rates established for loans under subsection (a) of this section until such advance is repaid.

(e) The Corporation is authorized to construct, operate, and maintain an airport and related facilities in any instance where the Secretary finds that --

(1) an airport is necessary or desirable to meet the present and future needs of air commerce; and

(2) such an airport will not otherwise be constructed and operated on terms and conditions deemed satisfactory by the Secretary.

(f) The Corporation is authorized to prescribe rules and regulations to carry out the purposes of this section; to provide the financial assistance specified herein to any project in amounts which, together with other sources of financing, shall secure financing not to exceed the net costs of the project; and to advise and consult with the Secretary concerning grants which should be made under the Federal Airport Act. Financial assistance pursuant to this section shall in no way affect any exemption from taxes imposed by the United States to which any securities pledged, guaranteed, or otherwise involved would otherwise be entitled.

Powers of Corporation

Sec. 6. For the purpose of carrying out its functions under this Act, the Corporation --

(1) shall have succession in its corporate name;

(2) may adopt and use a corporate seal, which shall be judicially noticed;

(3) may sue and be sued in its corporate name;

(4) may adopt, amend, and repeal by-laws, rules and regulations governing the manner in which its business may be conducted and the powers vested in it may be exercised;

(5) may hold such hearings, sit and act at such times and places, and take such testimony, as it deems advisable;

(6) may make and carry out such contracts or agreements as are necessary or advisable in the conduct of its business;

(7) may sell any notes, bonds, or other evidences of indebtedness held by it in connection with any loans made under this Act;

(8) may acquire such real and personal property by purchase, donation, lease, condemnation, or otherwise in accordance with the laws of the United States, as it deems necessary for the conduct of its business, and may sell, lease, or otherwise dispose of such real and personal property. The revolving fund hereinafter established shall be credited with receipts from the sale or exchange of property, and with gifts and bequests of money;

(9) shall have power, with respect to any airport constructed by it, to acquire by purchase, donation, lease, condemnation, or otherwise in accordance with the laws of the United States, lands adjacent to or in the immediate vicinity of such airport for the purpose of assuring that activities and operations conducted thereon will be compatible with normal airport operations;

(10) shall have power, with respect to any airport constructed by it, or upon behalf of an entity receiving financial assistance under this Act, to acquire by purchase, donation, lease, condemnation, or otherwise in accordance with the laws of the United States, any land, including any interest therein, or any easement through, or any other interest in airspace, required for the prosecution of a project: Provided, That such authority shall be exercised in the case of airports not constructed by the Corporation only if the entity receiving financial assistance is unable either to acquire such lands or to acquire them with sufficient promptness, and such entity agrees to reimburse the Corporation for the costs of

such acquisition unless a loan or grant under the Federal Airport Act is obtained with respect thereto;

(11) may settle and adjust claims held by it against other persons or parties and by other persons or parties against the Corporation; and

(12) may carry out its functions through officers and employees of the Department of Transportation with the approval of the Secretary, or through such other officers and employees appointed by it under the civil service and classification laws as may be necessary for the conduct of its business.

Revolving Fund

Sec. 7. (a) There is hereby created within the Treasury a separate Federal Airport Corporation fund (hereafter in this section called "the fund") which shall be available to the Corporation without fiscal year limitation as a revolving fund for the purposes of this Act. The amount of any purchases of evidence of indebtedness, loans or advances made from the fund, together with the amount of any expenditures under section 5(e) 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) The Corporation, when authorized by an appropriation Act, may transfer to the fund available appropriations provided under section 12 to provide capital for the fund. All amounts received by the Corporation as interest payments, guarantee fees or repayments of principal on evidences of indebtedness loans, fees, and other user charges, and any other moneys, property, or assets derived by it from its operations 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 Corporation under this Act shall be paid from the fund, including (but not limited to) expenses and payments of the Corporation in connection with sale, under section 302(c) of the Federal National Mortgage Association Charter Act, of participations in obligations acquired under this Act. From time to time, and at least at the close of each fiscal year, the Corporation 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 bear interest. If at any time the Corporation determines that moneys in the fund exceed the present and any reasonably prospective future requirements of the fund, such excess may be transferred to the general fund of the Treasury.

Sec. 8. The total amount of loans guaranteed by the Corporation pursuant to section 5(b) shall not exceed $2,000,000,000 at any one time.

Sec. 9. Section 302(c) of the Federal National Mortgage Association Charter Act, as amended, is further amended in paragraph (2) --

(1) by relettering subparagraphs "(D)", "(E)", and "(F)" as "(E)", "(F)", and "(G)", respectively; and

(2) by inserting after subparagraph "(C)" the following:

"(D) The Federal Airport Corporation of the Department of Transportation."

Government Corporation Control Act

Sec. 10. Section 101 of the Government Corporation Control Act (31 U.S.C. 846) is hereby amended by inserting after the words "Farmers Home Corporation" the words "Federal Airport Corporation".

Reports to Congress

Sec. 11. On or before the third day of January of each year the Corporation shall make a report to the Congress describing its operations under this Act during the preceding fiscal year, including detailed statements of the airport development accomplished, and setting forth recommendations, if any, for legislation amending or supplementing this Act.

Appropriation

Sec. 12. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act, including amounts for transfer to the fund as provided in section 7.

Misappropriation of Funds

Sec. 13. (a) All general penal statutes relating to the larceny, embezzlement, or conversion, of public moneys or property of the United States shall apply to the moneys and property of the Corporation.

(b) Any officer, agent, or employee of the United States, or any officer, agent, or employee of any public agency, or any person, association, firm, or corporation who shall knowingly make any false statement, false representation, or false report as to the character, quality, quantity, or cost of the material used or to be used, or the quantity or quality of the work performed or to be performed, or the costs thereof, in connection with the submission of plans, maps, specifications, contracts, or estimates of project costs for any project submitted to the Corporation for approval under this Act or shall knowingly make any false statement, false representation, or false report or claim for work or materials for any project approved by the Corporation under this Act, or shall knowingly make any false statement or false representation in any report required to be made under this Act, with the intent to defraud the United States shall, upon conviction thereof, be punished by imprisonment, for not to exceed five years or by a fine of not to exceed $10,000, or by both such fine and imprisonment.

(c) Any person who shall receive any compensation, rebate, or reward, or shall enter into any conspiracy, collusion, or agreement, express or implied, with intent to defraud the Corporation or wrongfully and unlawfully to defeat its purposes, shall, on conviction thereof, be fined not more than $5,000 or imprisoned not more than five years, or both.

Services and Facilities of Other Agencies

Sec. 14. The Corporation is authorized to use, with their consent, the available services, equipment, personnel, and facilities of other civilian or military agencies and instrumentalities of the Federal Government, on a reimbursable basis when appropriate, and on a similar basis to cooperate with such other agencies and instrumentalities in the establishment and use of services, equipment, and facilities of the Corporation.

Existing Airport Programs

Sec. 15. Nothing in this Act shall affect the carrying out of the Federal-aid airport program authorized by the Federal Airport Act, as amended (49 U.S.C. 1101), but to the extent of any inconsistencies between the provisions of the Acts, this Act shall control.