

ETW Document of the Week

This week's ETW Document of the Week is a Carter Administration memo preparing the President for a meeting with the chairmen of the House and Senate transportation committees, Rep. Harold "Bizz" Johnson (D-CA) and Sen. Howard Cannon (D-NV), and with House Aviation Subcommittee chairman Glenn Anderson (D-CA).

As of late September 1978, airline deregulation (highly sought after by the Carter Administration) had passed both chambers of Congress (S. 2493, 95th Congress) but a conference committee had not yet been appointed to reconcile the differing House and Senate versions of the bills.

The memo to Carter makes it clear that the chairmen were holding airline deregulation hostage in order to get Carter's support for an unrelated airline noise bill: "Although Chairman Cannon has appointed conferees to an airline deregulation conference, both he and Bizz Johnson have agreed not to begin a conference until they get your commitment to sign the noise bill."

Carter agreed as long as airline deregulation did not have to wait for the noise bill to be completed, and it was a good thing, too. Airline deregulation was enacted as P.L. 95-504 on October 24, 1978, but the airline noise bill died when the House and Senate could not reconcile their differing versions of that bill (H.R. 8729, 95th Congress.)

But Carter was as good as his word, and when the following Congress was able to present him with an airport noise bill (H.R. 2440), he signed it into law as the Airport Noise and Abatement Act of 1980 (P.L. 96-193).



9:00 AM

THE WHITE HOUSE

WASHINGTON

September 27, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: FRANK MOORE
STU EIZENSTAT *Stu*

SUBJECT: Airline deregulation and noise meeting with Senator Cannon and Congressmen Johnson and Anderson

Chairmen Bizz Johnson and Howard Cannon, and Congressman Glenn Anderson have requested this meeting to discuss airline deregulation and to obtain your commitment to sign an airline noise bill. Although Chairman Cannon has appointed conferees to an airline deregulation conference, both he and Bizz Johnson have agreed not to begin a conference until they get your commitment to sign the noise bill.

We and Secretary Adams strongly recommend that you: (1) agree to sign an acceptable compromise noise bill; and in exchange (2) request a commitment that they complete a deregulation conference next week without waiting for the noise bill. The noise bill has not passed the Senate and is very controversial there. It is extremely important that the two bills not be tied together. Senator Cannon's staff has told us that Cannon will agree to finish a deregulation only conference without delay in exchange for your commitment to sign a noise bill. We also recommend that you press for a strong competitive deregulation bill in exchange for your commitment. Cannon will also be supportive on this point.

OMB, CEA and COWPS recommend that you refuse to sign a noise bill, and veto it if it comes to your desk. OMB opposes all three titles; CEA and COWPS oppose title III. Their reasons are set forth below.

This is a crucial meeting for airline deregulation. Unless we can reach some agreement on the noise bill, especially with the House, it will be very difficult to get a final deregulation bill. Johnson told the press last week that the noise bill, not deregulation, is the House priority. You will recall that last January Bizz Johnson committed to you that he would support airline deregulation, and there was no deal made on the noise bill.

Center for
Transportation

Aircraft Noise Bill

The noise bill has passed the House. Senator Cannon's noise bill which is quite different has cleared the Commerce Committee, and is expected to be reported soon by the Finance Committee. It will be very controversial on the Senate floor, and there may be some difficulty getting it called up, given the existing demands on the Senate calendar.

Although there is disagreement among the agencies as noted below, we recommend that you agree to sign a noise bill that incorporates (1) the Senate version of title I, (which we never opposed), (2) a compromise on title II, and (3) a compromise version of title III.

Title I. Title I of the House bill which we have opposed, has a land acquisition grant program funded at \$150 million in 1979 and \$250 million in 1980 from the existing Airport Trust Fund surplus. We have not opposed the Senate version of title I however because it incorporates our preference for a revolving loan fund rather than grants. OMB (reluctantly) and DOT could accept the Senate version of title I, but they would like the funding level cut \$70 million during 1979-1980.

Title II. Title II in both bills increase funding levels out of the existing \$2 billion surplus in the Trust Fund for the regular airport grant program. We have opposed any funding increases since the Department of Transportation is now engaged in a major review of the Airport Trust Fund which is scheduled to terminate in 1980. OMB believes that we should continue to oppose any additional funding for airport grants. However, Secretary Adams and we recommend that we compromise and agree to some funding increases. Cannon has already brought his figures down at our behest. We prefer the Senate bill, which has lower funding levels, but we would like to go even lower than that if possible. DOT recommends additional airport grants of \$50 million in 1979 and \$150 million in 1980 (which is \$420 million less than the House bill and \$160 million less than the Senate bill).

Title III. We have supported the House version of title III. The House version diverts 2% of the existing 8% ticket tax to a special fund to help airlines meet noise standards. The Senate title III reduces the ticket tax by 2% for 5 years, and directs the CAB to grant a 2% fare increase effective for 1 year. At the end of one year, the

CAB may modify or eliminate the fare increase. OMB, CEA and the Council on Wage and Price Stability would prefer that we change our position and not support any form of Title III. They believe that any federal intervention to help airlines meet noise standards would set a dangerous precedent for federal aid to other industries to meet environmental, health or safety standards. They also believe title III is inflationary because the tax otherwise could be lowered. If we do not change our position on title III, they recommend that we move toward the Senate version.

Secretary Adams and we believe that a compromise version of the House and Senate bills can be developed that accepts the best features of each. We have supported the House version, however, and if they insist upon it, we should probably keep to our position.

Airline Deregulation

Both Houses have passed airline deregulation: the Senate vote was 83-9, and the House vote 363-8. Johnson, Cannon and Anderson led the debate favoring the legislation. We recommend that you push them for a strong deregulation bill, if you are agreeing to sign a noise bill.

We also recommend that you state your strong preference for the Senate labor protection provision, which permits the payment of benefits only if there are serious dislocations in the industry directly resulting from airline deregulation. Recent events show that airline employees benefit from airline competition, so the prospects for having to invoke this provision are not great.



SUMMARY AND TALKING POINTS

If you agree to sign a compromise noise bill, its features would have to include:

Title I. The Senate version with a revolving loan fund is acceptable. I prefer that the funding levels be reduced, however, since we will conduct a complete review of the program next year.

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Title II. I will change my position and accept Title II. I prefer the Senate version because the funding levels are lower; I would hope that they can go even lower than that.

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Title III. I will continue to support Title III, but you should know that I have received strong pressure to reverse my position and to oppose Title III. We have worked very hard in the House for this title, especially in the Ways and Means Committee. We can work together to produce a compromise between the House and Senate bills. (If the House version is ultimately accepted, however, you will sign the bill. Secretary Adams has testified in favor of the House version.)

I will make this commitment to you if you will agree to begin a deregulation conference now, and send me final legislation by next week, without waiting for consideration of the noise bill to be completed. It is very late in the Congress, many of you will be involved in numerous conferences, and it is important that this high priority legislation reach me as soon as possible.

I also expect to receive a bill that incorporates the most competitive provisions possible. I am also very concerned about the labor protection in the bills, and strongly prefer the Senate version.



REP. ANDERSON, Glenn M. (D-32-Calif.)

Committee:

(8) Committee on Merchant Marine and Fisheries

Subcommittees:

Fisheries, Wildlife, Conservation and The Environment
Merchant Marine
Oceanography

Committee:

(4) Public Works and Transportation

Subcommittees:

Chairman, Aviation
Surface Transportation
Water Resources

Wife: Lee

Administration Support 67.4%

REP. JOHNSON, Harold T. (Bizz) (D-1-Calif.)

Committee:

Chairman, Public Works and Transportation

Wife: Albra

Administration Support 78.6%



SEN. CANNON, Howard W. (D-Nevada)

Committees:

Chairman, Commerce, Science & Transportation

(3) Armed Services

(2) Rules and Administration

(3) Joint Committee on Library

Wife: Dorothy

Administration Support 60.9%

