

■ Congress should immediately determine if air commerce is in the "total public interest" or whether it only benefits a select group of identifiable people and companies that should be subjected to "user charges" to pay for maintenance and development of the airways and airports system.

This is the "expedient solution for air transportation," according to a new AOPA position paper titled "User Charges: Panacea or Pitfall." If air commerce is in the total public interest, then the national aviation system should be supported by general taxes. If it is not, "the actual needs and the role of the user in determining these needs and expenditures can be discussed, debated and decided," the AOPA said.

"It is AOPA's view that improvement of air commerce is in the total public interest," the new position paper states. "As such, the public interest requirements for air commerce facilities have been, and should be, provided from general revenue funds. All of the direct users contribute through their general taxes.

"This is consistent with other programs financed by Government," the AOPA said of current policies in using general fund taxes for aviation development. "AOPA agrees with this policy. AOPA is opposed to selective taxation [user taxes] to place the full burden of Government programs to improve air commerce on those who are direct users."

Formulation and release of AOPA's "white paper" on user charges, more aptly called selective taxation, closely followed former President Johnson's farewell budget message for fiscal 1970. Johnson resurrected his 1968 request that Congress levy new and higher Federal taxes on general aviation aircraft owners and pilots, as well as new and higher taxes on airline customers.

AOPA President J. B. Hartman, Jr., strongly urged members to immediately contact their individual Congressmen and Senators and make their views known on user charges. Free copies of the complete text of "User Charges: Panacea or Pitfall" may be obtained by writing AOPA, Box 5800, Washington, D. C. 20014. The full text of the position paper tentatively is scheduled for publication in the April PILOT.

At one point in the new position paper, AOPA indicated U.S. civil aviation and the overall general public might fare better and receive more equitable treatment if the nation's aviation system were run by a regulated public utility similar to the Bell Telephone system or COMSAT.

Though not spotlighted as a major recommendation, AOPA mentioned the regulated public utility approach as a possible solution for Congress and the Nixon Administration to solve the many-sided problem of how, and for whose benefit, the nation's public airways and airports resources should be developed.

Johnson's proposed new taxes would include a 400% increase on general aviation gasoline taxes, a new 10-cents-per-gallon tax on the now untaxed jet

User Charges

AOPA position paper expresses belief that it's time for Congress to make a 'clear and definitive' declaration on user-tax concept before singling out civil aviation for special levies

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fuel used by general aviation aircraft, a hike from 5% to 7% on airline passenger ticket taxes, and a 3% waybill tax on air freight.

As proposed, the new and increased taxes on the private "consumer" portion of aviation would finance a planned maintenance and development program designed almost totally for the benefit of the profit-oriented airline corporations.

Ironically, but in keeping with past Federal policies, conspicuously missing from the Johnson Administration's proposed bundle of new taxes on aviation's consumers is any request for increased Federal taxes on the multi-billion dollar airline industry, prime beneficiary of past, current, and planned Federal actions governing use of the public airways and airports resources.

Under the proposals, only general aviation would be subjected to new and higher taxes on its fuel needs. According to soon-to-be-released information, the FAA has determined that during calendar 1967, general aviation used about 400,000,000 gallons of aviation gasoline and approximately 139,000,000 gallons of jet fuel.

The airlines, which would not be subjected to the new and higher taxes, used about 270,000,000 gallons of regular aviation gasoline and slightly more than 7.5 billion gallons of jet fuel during the same period. According to a Jan. 15 article in "The Federal Times," an official governmental publication, the military now is buying jet fuel annually at the rate of about 200 million barrels, or 11 billion gallons.

Dissemination of AOPA's new position paper to the aviation press and general news media coincided with statements made by newly appointed Secretary of Transportation John A. Volpe indicating he favored creation of an aviation "trust fund" comparable to the Federal Highway Administration's trust fund.

It also was released about the same time it was learned that "senior execu-

tives" of about 40 general aviation manufacturers and service companies had met in Washington, D.C., to put together a program of support for user taxes on their customers, the general aviation aircraft owners and pilots.

Naming themselves the "General Aviation Progress Committee," the light-plane business leaders reportedly agreed to back the Administration's and airlines' request for a 10-cents-per-gallon tax on gasoline used by general aviation. They also reportedly agreed to seek support from other elements of the general aviation community. No members of any "user" group, such as AOPA, were invited or participated in the business leaders' meeting which was held behind closed doors.

General aviation businessmen attending the Washington, D.C., meeting were told unpublicized meetings had been held earlier between lightplane business interests and airline interests to establish a common approach to airways, airport development, and user taxes.

"... To see if there was some common ground which could be supported by both the airlines and general aviation, and so that each might understand the other's problems, several senior executives of general aviation manufacturing companies met informally several times, and off the record, with company officials of the major transport makers and of a number of airlines," the Washington gathering was informed.

Agreeing that the nation's aviation system needed improvements, the businessmen at the Washington, D.C., meeting claimed user charges were inevitable. A formal answer prepared in advance for the possible question of "Why not tax airlines?" provided insight into the philosophy of those conducting the meeting with reference to user taxes on their customers.

"Why should we, as general aviation, care how it is collected? Our interest is in knowing that it is collected. In any event, the ultimate consumer pays the bill, whether excise tax, fuel tax, ticket

tax or freight tax," the group reportedly was told.

The businessmen also discussed means of coupling their support for user taxes on their customers with the stipulation that an aviation trust fund also be established. As presented and discussed in the past, both by Congress and Federal administrations, the aviation "trust fund" would obtain its money from the same sources singled out by Federal administrators—the airline passengers, freight customers, and light-plane owners and private pilots—with the airline corporations getting a free ride.

Various Federal officials and airline spokesmen have contended in the past that the airline corporations pay for their use of the airways and airports through the ticket and freight waybill taxes levied against their customers.

Main difference between Johnson's new tax proposals and the trust fund concept is that backers of the trust fund approach have indicated money collected under their system would be earmarked for maintenance and development of the aviation system and not shoveled into the general treasury for possible use in non-aviation services.

Johnson's new aviation taxes are contingent upon Congressional approval and are almost identical with unsuccessful proposals submitted last year by former DOT Secretary Alan S. Boyd (see July 1968 PILOT).

Boyd, a former chairman of the Civil Aeronautics Board (CAB), and Johnson were both pro-airline during their stewardship of the nation's public airways and airports resources. At least six of Johnson's former White House aides now are associated with one of the major airlines, and C. R. Smith, former Secretary of Commerce, is a one-time president of American Airlines.

Possibly only coincidentally, 23 days before Alan S. Boyd officially departed as the nation's first transportation czar, DOT awarded \$25.2 million in Federal funds to Chicago's South Suburban Mass Transit District. "The funds will be used to replace the Illinois Central's 1926 vintage rolling stock [railroad cars] with 130 new double-deck, air-conditioned, electric commuter railway cars," the DOT said in awarding the grant. Boyd is the new President of Illinois Central.

The direct Federal aid to Illinois Central from the department he headed raised cries of possible conflict of interest on Boyd's part, after it was announced he had become the new \$95,000-per-year head of the railroad company.

In his defense, Boyd reportedly said he earlier had instructed his then DOT subordinates to process and handle the railroad's request for funds without his being personally involved, in an attempt to show there was not any conflict of interest.

In attempting to justify higher Federal taxes on aviation's consumers, while letting commercial airline corporations themselves off scot-free, President Johnson said in his budget mes-

sage: "In many areas of Government activity, where special benefits accrue to certain individuals and groups, charges are imposed on users or specific beneficiaries to provide a more equitable sharing of the cost of these Government services.

"Fees are collected in connection with the processing and awarding of patent and copyright privileges and for providing specific immigration, passport and consular services," he continued. "Transportation user charges help to finance some of the costs of providing adequate transportation services. For example, the Federal gasoline tax provides financial assistance for the Interstate Highway System, as well as other primary and secondary highways.

"Where legislative authority exists, the user charges program is being advanced by administrative action. All present charges are reexamined regularly to assure that they adequately reflect the cost incurred and benefits derived. In addition, legislation is being proposed which will extend this principle to other areas where such authority does not now exist."

The nation's former Chief Executive then proceeded to unveil what appeared to be inconsistent philosophies permeating the Federal bureaucracy in recent years. He asked for higher taxes on the private and consumer segments to support the aviation system, but did not ask commercial airline corporations to share in the increased costs. He then asked for higher taxes on the commercial users of the ground transportation system, but asked for no new taxes on private users of that mode.

"For highway users, a two-cent-per-gallon increase is recommended in the present four-cent-per-gallon diesel fuel tax," Johnson told Congress. "A change is also proposed in the present fixed-use tax on heavy vehicles to a graduated tax scale based on weight," he added.

The outgoing Administration also said it wanted Congress to reach into the billfolds and pocketbooks of the nation's waterway users to help meet the burgeoning requests of the infant Department of Transportation. "The budget recommends a charge of two cents per gallon, increasing to 10 cents over the next five years, on the now untaxed fuel used by vessels on inland waterways," Johnson told Congress.

As outlined by the Department of Transportation, the new taxes on airline passengers and freight customers, lightplane owners, and private pilots would provide the Federal Government with an additional \$154 million in fiscal 1970, which begins July 1, 1969.

The higher taxes on the commercial trucking and mass transit bus operations would provide an additional \$241 million, and the initial two-cents-per-gallon tax on private boating fuel would give the Government another \$7 million. These new revenues would be coupled with another \$8 million from "other" increased taxes to give the government an additional \$410 million in "user charges" during fiscal 1970.

AOPA, whose members account for

89% of the hours flown and 76% of the aircraft used in general aviation, firmly opposed the "user charges" as proposed by the Johnson Administration.

"AOPA believes that the user charge concept has such far-reaching implications that it is time for Congress to make a clear and definitive declaration of policy and principles regarding them," the association says in its "User Charges: Panacea or Pitfall" position paper.

"Perhaps the expedient solution of air transportation is a determination of whether air commerce is in the total public interest," the AOPA stated. "If it is, then there are financial solutions to the airport requirements more consistent with the historic pattern of financial operations of the government. If it is not, then the subject of user charges, the actual needs and the role of the user in determining these needs and expenditures can be discussed, debated and decided."

Referring to its suggestion of a possible regulated public utility to develop and manage the airways and airports resources, the AOPA said, "AOPA holds that in those cases where public support is lacking for a given program, private enterprise should be relied upon to provide the facilities and services on a voluntary basis. This may warrant regulation as a public utility if the activity is sufficiently infused with the 'public interest.'"

AOPA's suggestion to consider creation of a public utility was viewed by some as a direct backlash to past statements of airline spokesmen and some Federal administrators who have insisted that airlines receive preferential financial and legislative treatment from the Federal Government because they are serving "the public."

The nonprofit AOPA's suggestion in effect said that if mass transit commercial airline operations were indispensable and a required "public service," then they should become part of a regulated public utility to ensure that the general public receives the best service for the lowest possible cost.

"What if a program does not justify general tax support but is 'tainted' with the public interest?" AOPA asked. "Is there a practical alternative other than user charges? There certainly is," the association's paper stated emphatically. "The regulated public utility."

"Many public services are provided by private enterprise through this mechanism [regulated public utility]. The advantage from the user's point of view is that the utility has to 'sell' instead of 'regulate' to promote its service, and it permits the user to purchase only those services which he wants.

"If a utility similar to the Bell Telephone system or COMSAT were to run the national aviation system, would aviation and the public be better off?" AOPA asked rhetorically, then added, "We suspect it might."

Turning to the current move to levy user charges with the Department of Transportation overseeing the tax collections, AOPA asked, "What effects

would 'user charges' have on private enterprise? Historically, providing goods and services to individuals for a price has been the function of private enterprise [or a regulated public utility], not the Government. Adoption of the user charge philosophy encourages the Government to provide these things when they ought to be left to private enterprise.

"In his 1969 budget message, President Johnson indicated how far the Executive Branch was willing to go in competing with private enterprise," AOPA's position paper continued, then quoted Johnson as saying, "I am also proposing a broad program of transportation user charges to *apply the test of the marketplace to these activities* and to relieve the general taxpayer of some of the burden of financing special benefits for certain individuals and industries [italics added]."

Johnson's newest plea for "transportation user charges" used almost the same language as that used last year. It was noted that, loosely applied, Johnson's statement of policy could lead to the conclusion that since the bulk of Federal aviation assistance over the years has gone toward building massive terminals and longer and thicker runways for the airlines, then the airline industry should be the prime target for any "user charges."

AOPA in the past has pointed out that current Federal, state, and local practices to operate some large public airports primarily for the benefit of the airlines are tantamount to subsidizing the airlines to the extent of the entire public investment in those airports.

Strongest critics of the Federal Government's policy of favoritism toward the commercial airlines have suggested that since the airlines' passenger and cargo business has outstripped the capacity of many public airports, the commercial airline corporations should finance and construct their own airports and cargo facilities the same way railroad companies and mass transit bus operators have done.

Speaking of President Johnson's request that the Government "apply the test of the marketplace to these activities" in the form of user charges, AOPA queried, "Is the testing of goods or services in the marketplace the proper role of Government? It hasn't been considered so in the past. Should this historic concept be changed? Provision of facilities and services by Government on a user charge basis degrades, and in some cases denies, opportunities for the forces of competition to operate. It is illogical and inconsistent to favor user charges and simultaneously ask the Government to 'get out of business.'"

"Current proposals would relieve interests categorized as 'commercial air transportation' of any burden whatsoever," AOPA noted. "This amazing piece of favoritism would transfer directly to the consumer all obligations for the airlines' share of use.

"This would occur at a time when the Government is spending additional

millions to develop cargo (C-5A) and supersonic aircraft (SST) to help them make even more money," the AOPA said on a note of incredulity. "Some argue that the customer bears the cost in the final result, so what's the difference? They forget that not all cost increases reach the consumer; quite often some have to be absorbed by the vendor."

Congress established the FAA and its predecessors to foster development of all segments of aviation, private, military and commercial, the AOPA said. "Despite the law, the airway system has been designed and expanded to meet air carrier and military requirements almost exclusively.

"A sophisticated, costly system that is also costly to use has resulted," the AOPA asserted. "It has redundant features, 'gold-plated' specifications, and the most advanced electronic equipment. The airlines have pressed for positive control of traffic and, though expensive, the FAA is responding. General aviation has opposed this program because it does not satisfy more fundamental requirements that are needed first.

"General aviation's requirements largely have been ignored," the AOPA position paper charged. "General aviation uses and wants more flight service stations, but the number has been reduced 30% and more drastic cuts are probable" because of increasing demands of the airlines to the Government to keep pace with their expanding businesses. "Pleas for fewer gold-plated specifications and more low-cost facilities and adequate weather services bear little fruit. General aviation suffers the lowest priorities for airport aid; 83% of the money (over the years) has gone into less than 700 airports which have or once had airline service."

Details on the FAA's proposed fiscal 1970 budget and the new tax proposals help support contentions that Federal administrators apparently care little or nothing about aiding or promoting private air transportation or the individuals involved.

The FAA's proposed 1970 budget, exclusive of money to be received from the hoped-for new taxes on general aviation, totals \$996.5 million, an increase of \$64.3 million over fiscal 1969. There are no funds requested in the \$996.5 million budget for improving flight service stations in the United States.

In fiscal 1969, the FAA received \$8,967,000 for new equipment for flight service stations. The previous year's allocation totaled \$2,589,000. Though failing to request any money for improving domestic flight service stations in fiscal 1970, the FAA included a \$700,000 request for "international" flight service stations. It has been assumed that any possible new money for domestic flight service stations or other general aviation aids would have to come from the proposed new "user charges." The FAA did not detail what it would use the user charges revenues for, beyond stating "for airports development."

Another notable example in the proposed budget indicating apparent lack of concern for general aviation and clear-cut preferential treatment of airline operations involves an FAA request for \$134 million which "will be applied to continuation of the program to automate the en route portion of the traffic control system."

Accomplishments and performance to date of the almost two-year-old DOT were termed "lousy" and "very disappointing" by two members of the Senate Commerce Committee during a hearing on Volpe's confirmation as the new Secretary of Transportation. Their broad assessment is shared by AOPA and many segments of the aviation, marine and ground transportation communities.

Due to its inability to measure up in any degree to predictions made when it was formed as the new "umbrella" department for the nation's transportation system, Congress and the Nixon Administration might find it worthwhile to explore the suggestion of a regulated public utility to manage and develop the nation's aviation system, AOPA officials said.

If this were not possible, then Congress should consider immediate action to determine if air commerce is in the "total public interest" to settle the user charge question and move on to more productive activities, they added. □

AOPA Files Petition

AOPA formally petitioned the Department of Transportation (DOT) and FAA to revoke the controversial "high density traffic airports" regulation which is scheduled to go into effect April 27 at five Northeast airports. The regulation was proposed and passed "under the misguided direction" of the former DOT administration and should be wiped off the books, the association said.

"The major decisions were made by DOT officials who obviously had little expertise in airspace and airport management," the AOPA said, in its formal petition submitted Feb. 3. "Not only is such action unlawful, it would not accomplish its avowed purpose—the elimination of the excessive delays.

"It is altogether logical to conclude that the major cause of delays at airports serving both the airlines and general aviation is airline scheduling of multiple departures and arrivals for the same moment and the same runway," the petition contended, then noted the regulation would allow the airlines to schedule many more flights than they now are scheduling.

"In effect, the amendment is granting the airlines even more use of the airports than they now have, while simultaneously limiting access to these public airports by other users.

"For example, O'Hare [Chicago] had 614,140 airline operations in fiscal year 1968. This averages out to 93.5 per hour if all flights are credited to the 18-