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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH CONGRESS

FIRST SESSION

ON

H.R. 826

A BILL TO CREATE THE NATIONAL CAPITAL AIRPORTS CORPORATION, TO PROVIDE FOR THE OPERATION OF THE FEDERALLY OWNED CIVIL AIRPORTS IN THE DISTRICT OF COLUMBIA OR ITS VICINITY BY THE CORPORATION, AND FOR OTHER PURPOSES

H.R. 2081, H.R. 3328, H.R. 3406

BILLS TO TRANSFER CERTAIN ADMINISTRATIVE RESPONSIBILITY FOR THE OPERATION OF WASHINGTON NATIONAL AIRPORT AND DULLES INTERNATIONAL AIRPORT FROM THE ADMINISTRATOR OF THE FEDERAL AVIATION AGENCY TO A WASHINGTON AIRPORTS BOARD, AND FOR OTHER PURPOSES

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MARCH 19, 28, AND MAY 16, 1963

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WASHINGTON, D.C., AIRPORTS

TUESDAY, MARCH 19, 1963

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS OF
THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 1334, Longworth Building, Hon. Samuel N. Friedel presiding.

Mr. FRIEDEL. The meeting will come to order, please.

The Subcommittee on Transportation and Aeronautics this morning is conducting hearings on four bills having to do with the administration of the Washington national airports.

One of these bills, introduced by Mr. Williams—H.R. 826—would create a National Capital Airports Corporation which, subject to the direction of the Administrator of the Federal Aviation Agency, would have control over and responsibility for the operation and maintenance of the airports both at Gravelly Point—that is Washington National Airport—and Chantilly, known as Dulles.

The other three bills are identical: H.R. 3328, introduced by Mr. Long of Maryland; H.R. 3406 by Mr. Lankford and H.R. 2081 which I introduced. These bills would create a new agency known as the Washington Airports Board, independent and outside of the jurisdiction of the Administrator of the FAA, which Board would have control over operation and maintenance of these two airports.

Without objection, the bills and any agency reports will appear at this point in the record.

(The bills and reports follow:)

[H.R. 826, 88th Cong., 1st sess.]

A BILL To create the National Capital Airports Corporation, to provide for the operation of the federally owned civil airports in the District of Columbia or its vicinity by the Corporation, 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 "National Capital Airports Corporation Act".

SEC. 2. There is hereby created as an agency of the United States, subject to the direction of the Administrator of the Federal Aviation Agency (hereafter in this Act referred to as the "Administrator"), a body corporate to be known as the National Capital Airports Corporation (hereafter in this Act referred to as the "Corporation"). The Corporation shall have control over, and responsibility for, the operation, maintenance, and protection of (1) the Washington National Airport, and (2) the airport constructed under the Act entitled "An Act to authorize the construction, protection, operation, and maintenance of a public airport in or in the vicinity of the District of Columbia", approved September 7, 1950 (D.C. Code, secs. 7-1401 to 7-1412, inclusive).

SEC. 3. The Corporation shall have perpetual succession unless dissolved by Act of Congress.

SEC. 4. The Corporation shall have its principal office in the District of Columbia or at one of the airports referred to in section 2 of this Act, and may establish at such airports such other offices of the Corporation as the Administrator may prescribe. For purposes of venue in civil actions, the Corporation shall be deemed to be a resident of each of the jurisdictions in which such offices have been established.

SEC. 5. (a) The Congress hereby declares that it is in the public interest that, to the maximum extent practicable but subject to and in accordance with the requirements imposed by subsections (b), (c), and (d) of this section and by other provisions of this Act, the operation of any airport transferred to the Corporation, including the determination of rates and charges for space, facilities, and services, be effected on a self-sustained business enterprise basis consistent with sound commercial practices. In the exercise and performance of its powers and duties under this Act but subject to and in accordance with the requirements imposed by such subsections and by other provisions of this Act, the Corporation shall give due consideration and effect to the congressional policy set forth in this subsection.

(b) The rates and charges for space, facilities, and services shall be fair and reasonable and shall be consistent with the rates and charges of a similar nature at comparable airports within the United States. The annual budget program of the Corporation, as required to be submitted to the Congress by section 103 of the Government Corporation Control Act, shall set forth a statement of, and the basis for, such rates and charges.

(c) In the determination of such rates and charges, each airport under the jurisdiction of the Corporation shall be considered as a separate entity and the Corporation shall give due consideration to the costs of operation of, and the amount of the capital investment in, the airport concerned, including interest and depreciation on such investment. For the purposes of this subsection—

(1) in the case of any project for airport development begun on or after the date of enactment of the Federal Airport Act, the capital investment shall not include the amount which would have been furnished by the United States under the provisions of the Federal Airport Act, if such project had been completed in accordance with a grant agreement entered into between the United States and a local public agency with maximum Federal grants-in-aid under the provisions of such Act as in effect at the time of the beginning of such project, and in accordance with the policies followed by the United States in the programming of funds available under such Act for Federal aid to airports at such time; and

(2) in the case of any project for airport development completed before the date of enactment of the Federal Airport Act, the capital investment shall not include the amount which would have been furnished by the United States under the provisions of the Federal Airport Act, if such project had been completed by a local public agency with maximum Federal grants-in-aid under the provisions of such Act as in effect on the day immediately following the date of its enactment, and in accordance with the policies of the United States first established with respect to the programming of funds available thereunder.

(d) Except as provided in sections 13 and 14 of this Act, the Corporation shall fix for any Federal agency, for the use by such agency of space, facilities, and services, rates and charges based on the actual cost to the Corporation of providing such space, facilities, and services, but in no event greater than the rates and charges fixed for non-Federal users of such space, facilities, and services. The Corporation and the using Federal agency may agree that such agency shall pay to the Corporation, for the aggregate of the space, facilities, and services to be provided by the Corporation during any fiscal year, a lump sum equal to the amuont (estimated as soon as practicable after the beginning of such fiscal year) agreed upon as the aggregate of the rates and charges which will be incurred by such agency during such fiscal year.

SEC. 6. The Corporation shall have the following powers:

(1) To adopt, alter, and use a corporate seal.

(2) To adopt, amend, and repeal bylaws, rules, and regulations governing the conduct of its business and the performance of the powers and duties granted to or imposed upon it by law.

(3) To sue and be sued in its corporate name.

(4) To have the priority of the United States with respect to the payment of debts out of bankrupt, insolvent, or decedent's estates.

(5) To the extent necessary to provide public airport facilities and services adequate to anticipate and meet the needs of persons and property moving in air commerce and tenants of airport property, and to carry out the provisions of this Act—

(A) to acquire, by purchase or lease any property, real, personal, or mixed, tangible or intangible, or any interest therein;

(B) to construct buildings and other improvements (including access roads) on property so acquired by the Corporation;

(C) to hold, maintain, use, and operate property acquired or constructed by the Corporation, provide services in connection therewith, and charge for the use of such property and for such services; and

(D) to enter into contracts, leases, cooperative agreements, or other transactions in the conduct of its business, on such terms and in such manner as it may deem appropriate (including terms requiring a contractor or lessee to alter, repair, or improve property of the Corporation), with any agency or instrumentality of the United States, or with the State of Virginia (including any political subdivision thereof), or the District of Columbia, or with any person, firm, association, or corporation.

(6) To acquire, by condemnation, real property essential to the use of the airport concerned by aircraft being operated in air commerce and to provide for facilities and services thereon necessary to the use of the airport by such aircraft.

(7) To accept gifts or donations of services, or of property, real, personal, or mixed, tangible or intanglible, in aid of any of the purposes of the Corporation.

(8) To sell or otherwise dispose of property acquired or constructed by the Corporation at such time, in such manner, and to the extent deemed necessary or appropriate by the Administrator to carry out the purposes of the Corporation, in accordance with the Federal Property and Administrative Services Act of 1949 and section 13(g) of the Surplus Property Act of 1944 (50 App. U.S.C. 1622(g)).

(9) To appoint, in accordance with the civil service laws and regulations, such officers, attorneys, agents, and employees as may be necessary to carry out the provisions of this Act; to fix their compensation in accordance with the provisions of the Classification Act of 1949, as amended; and to define their authority and duties.

(10) To determine the character of and the necessity for its obligations and expenditures, and the manner in which they shall be incurred, allowed, and paid, subject to the provisions of this Act and other provisions of law specifically applicable to Government corporations.

(11) To execute, in accordance with its bylaws, rules, and regulations, all instruments necessary or appropriate in the exercise of any of its powers.

(12) To settle and adjust claims held by the Corporation against other persons or parties and claims by other persons or parties against the Corporation.

(13) To take such action as may be necessary or appropriate to carry out the powers conferred upon the Corporation.

SEC. 7. The Corporation is authorized to transfer to any Federal agency or any agency of the State of Virginia under mutually acceptable terms and conditions any access road (or portion thereof) to the additional Washington airport authorized by the Act entitled "An Act to authorize the construction, protection, operation, and maintenance of a public airport in or in the vicinity of the District of Columbia", approved September 7, 1950 (D.C. Code, secs. 7–1401 to 7–1412, inclusive). If such transfer is made to any Federal agency, such agency is authorized to accept such transfer and to provide for the operation and maintenance of such access road (or portion thereof) under such regulations as the head of such agency may prescribe, but such regulations and the terms and conditions of such transfer shall not prevent the construction of additional highway lanes (within the right of way acquired for, and parallel to, such access road) to meet local traffic needs.

SEC. 8. The management of the Corporation shall be vested in a General Manager (hereafter in this Act referred to as the "Manager") who shall be appointed by the Administrator in accordance with the civil service laws and regulations and shall be subject to the direction of the Administrator. The

Administrator is authorized to fix the compensation of the Manager at a rate per annum not to exceed the maximum rate permissible under section 302(f) of the Federal Aviation Act of 1958.

SEC. 9. (a) There is hereby established the Advisory Board of the National Capital Airports Corporation which shall be composed of five members appointed by the Administrator, without regard to the civil service laws, for terms of five years each; except that, of the members first appointed under this subsection, one shall be appointed for a term of one year, one for a term of two years, one for a term of three years, and one for a term of four years, as designated by the Administrator at the time of such appointment. Any person appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed only for the remainder of such term. Each member of the Advisory Board shall be a citizen of the United States. Not less than three members of the Advisory Board shall be appointed from private life and at least one member so appointed shall be experienced in air carrier operations. Upon the expiration of his term of office a member shall continue to serve until his successor is appointed.

(b) The Advisory Board shall meet only at the call of the Administrator or the Manager, but not less often than once each six months, to review the general policies of the Corporation, including but not limited to its policies in connection with rates and charges for its services, design and construction of facilities, and the admnistration of existing facilities, and to advise the Administrator and the Manager with respect thereto.

(c) The members of the Advisory Board who are in the executive branch of the Government shall receive no additional compensation for their services as members of the Advisory Board. Each member of the Advisory Board appointed from private life shall receive per diem at a rate not in excess of the per diem equivalent of the maximum scheduled rate of the General Schedule of the Classification Act of 1949, as amended, when actually engaged in the performance of the duties vested in the Advisory Board. Each member of the Advisory Board shall be reimbursed in accordance with the Travel Expense Act of 1949 (5 U.S.C. 835–842, inclusive) for travel, subsistence, and other necessary expenses incurred by him in the performance of such duties.

(d) Service of an individual appointed from private life as a member of the Advisory Board shall not be considered as service or employment bringing such individual within the provisions of section 281, 283, 284, 434, or 1914 of title 18 of the United States Code, or section 190 of the Revised Statutes of the United States (5 U.S.C. 99).

SEC. 10. (a) There is hereby established in the Treasury of the United States a National Capital Airports Fund (hereafter in this Act referred to as the "Fund'), which shall be available for payment of all expenditures of the Corporation. The Fund shall consist of—

(1) such amounts as may be advanced to the Fund upon the request of the Manager from appropriations made for that purpose;

(2) the value of the assets of any airport transferred to the Corporation, less the liabilities of such airport, as of the date of its transfer to the Corporation; and

(3) receipts from operations under this Act.

The value of the assets referred to in paragraph (2) of this subsection shall be determined by the Administrator, subject to the approval of the Director of the Bureau of the Budget, after survey and appraisal taking into consideration (A) the value of the assets included in the capital investment (as determined under sections 5(c) (1) and (2)), (B) the original cost of such assets less depreciation, (C) the usable value of such assets to the airport if less than cost, (D) obsolete and unusable facilities and equipment, and (E) other reasonably determinable factors which would reduce the value of such assets. Such determination shall not become effective until the Administrator shall have published in the Federal Register notice of his proposed determination and afforded interested parties an opportunity to be heard thereon.

(b) The Corporation shall pay into the Treasury of the United States as miscellaneous receipts at the close of each fiscal year, interest on that portion of the Fund described in paragraphs (1) and (2) of subsection (a) of this section at a rate determined as follows:

(1) The interest rate on that portion of the Fund described in paragraph (1) of such subsection (a) shall be determined by the Secretary of the Treasury at the time such advance is made, taking into consideration the average yield to maturity on marketable obligations of the United States

having a maturity date of fifteen years or more, outstanding at the beginning of the fiscal year in which such advance is made. Such interest rate shall remain in effect for so long as any part of such advance remains in the Fund.

(2) The interest rate on that portion of the Fund described in paragraph (2) of such subsection (a) shall be determined by the Secretary of the Treasury, taking into consideration the average yield to maturity on marketable obligations of the United States, with a maturity date of fifteen years or more, outstanding at the beginning of the fiscal year in which the expenditures were made for the assets transferred to the Fund pursuant to paragraph (2) of such subsection (a). The interest rate so established shall remain in effect for so long as any part of the amount to which such interest applies remains in the Fund.

(c) Whenever any money in the Fund is determined by the Administrator to be in excess of the current needs of the Corporation, such excess amount shall be credited to the appropriation account from which advances are made. Appropriations or other funds received by the Corporation shall be used solely for the purposes of the Corporation.

(d) Whenever receipts from operations under this Act are insufficient to meet any payment of interest required under subsection (b) of this section, the Congress may, by appropriation or other Act specifically provide that such interest payment may be waived or deferred in whole or in part.

(e) There are authorized to be appropriated, without fiscal year limitation, such sums as may be necessary to carry out the provisions of this Act. Advances to the Fund shall be made from such appropriations as requested by the Manager. Advances from appropriations to cover actual losses of prior years, as shown in the annual budget program of the Corporation, shall not require payment of interest under subsection (b) of this section.

SEC. 11. The Corporation is authorized to use its funds, from whatever source derived, in the exercise of its corporate powers and functions, except that the Corporation shall not undertake any capital projects, or new types of activities, not included in the annual budget program prescribed by section 102 of the Government Corporation Control Act (31 U.S.C. 847).

SEC. 12. (a) The Corporation shall contribute to the civil service retirement and disability fund a sum as provided by section 4(a) of the Civil Service Retirement Act, as amended (5 U.S.C. 2254(a)), except that such sum shall be determined by applying to the total basic salaries (as defined in that Act) paid to the employees of the Corporation covered by that Act, the per centum rate determined annually by the Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in said section 4(a). The Corporation also shall contribute at least quarterly, to the employees' compensation fund, the amount determined by the Secretary of Labor to be the full cost of benefits and other payments made from such fund on account of cases arising from injuries to its employees. The Corporation also shall pay into the Treasury as miscellaneous receipts that portion of the cost of administration of the respective funds attributable to its employees, as determined by the Civil Service Commission and the Secretary of Labor.

(b) The Corporation shall not be liable under this section (1) for contributions to the civil service retirement and disability fund with respect to the service of any officer or employee of the Corporation for any period prior to the effective date of this Act, (2) for contributions to the employees' compensation fund on account of injuries to employees of the Corporation occurring prior to such effective date, or (3) for payments for administrative costs of such funds with respect to any period prior to such effective date.

SEC. 13. The facilities of any airport under the jurisdiction of the Corporation which are analogous to the facilities developed with Federal aid, pursuant to the Federal Airport Act (49 U.S.C. 1101–1119), by comparable public airports in the State in which that airport is located (or in a State adjacent to the District of Columbia as the case may be), and the facilities usable for the landing and take-off of aircraft, including aids to navigation, shall be available without charge to the United States for use by aircraft used or operated by or for the Department of Defense. The Administrator may, consistent with national defense requirements, curtail or limit the use of the facilities of the Corporation by aircraft of the Department of Defense if such use, in his judgment, unreasonably impairs or interferes with the use of such facilities by civil aircraft.

SEC. 14. The Corporation shall furnish to any agency of the Government, without charge (except for the reasonable cost of maintenance, light, heat, power, janitor service, and other similar services), such space in airport buildings as may be reasonably adequate for use in connection with any air traffic control activity, or weather-reporting or communications activities, related to airport air traffic control, which the Administrator may deem necessary to establish and maintain at the airport.

SEC. 15. No person shall use the name of any airport operated by the Corporation, or any name similar thereto, as the name or a part thereof under which he does business, without the consent of the Corporation.

SEC. 16. (a) There is hereby transferred to the Corporation—

(1) the property (real, personal, and mixed) operated by the Administrator as the Washington National Airport, together with the tract of land described in the first section of the Act entitled "An Act to provide for the administration of the Washington National Airport, and for other purposes", approved June 29, 1940 (D.C. Code, sec 7–1301), as the Washington National Airport (except that portion of such tract of land added to the Mount Vernon Memorial Highway by Executive Order Numbered 9851 of May 15, 1947), and those parcels of land in Arlington County, Virginia, condemned by proceedings miscellaneous numbered 618 and miscellaneous numbered 621 in the United States District Court for the Eastern District of Virginia, Alexandria Division, together with the structures, improvements, and other facilities located thereon; and

(2) the property (real, personal, and mixed) acquired or constructed under the Act entitled "An Act to authorize the construction, protection, operation, and maintenance of a public airport in or in the vicinity of the District of Columbia", approved September 7, 1950 (D.C. Code, secs. 7–1401 to 7–1412, inclusive).

(b) The Corporation shall assume the rights and obligations of the United States under contracts executed by, or on behalf of, the Administrator, on or before the effective date of this Act, in connection with the operation maintenance, and protection of the property referred to in subsection (a) of this section.

(c) The orders, determinations, rules, regulations, permits, and privileges issued, made, or granted by the Administrator in the exercise of duties, powers, or functions transferred to the Corporation under this Act, and in effect at the time this Act takes effect, shall continue in effect according to their terms until modified, terminated, superseded, set aside, or repealed by the Corporation, or by any court of competent jurisdiction, or by operation of law.

(d) The provisions of this Act shall not affect proceedings relating to the operation, maintenance, or protection of the property referred to in subsection (a) of this section, which proceedings are pending before the Administrator at the time this Act takes effect, but such proceedings shall be continued before the Corporation.

(e) No judicial proceedings lawfully commenced by or against any agency or officer of the United States, in relation to the discharge of powers, duties, or functions transferred to the Corporation under this Act, shall abate by reason of such transfer, but the court may, on motion or supplemental petition filed at any time within twelve months after such transfer takes effect, showing a necessity for a survival of such proceedings to obtain a settlement of the questions involved, allow the same to be maintained by or against the Corporation.

(f) The officers, employees, office equipment, and official records of the Federal Aviation Agency which the Administrator shall determine to have been employed in the exercise and performance of the powers, duties, and functions transferred to the Corporation under this Act, are hereby transferred to the Corporation. The tansfer of personnel under this section shall be without reduction in classification or compensation, except that this sentence shall not prevent the adjustment of classification or compensation, after the end of the fiscal year during which such transfer is made, to conform to the duties to which such transferred personnel may be assigned. The official records transferred to the Corporation under this section shall be available for use by it to the same extent as if such records were originally records of the Corporation.

SEC. 17. (a) The Corporation is authorized to make payments to State or local governments in lieu of property taxes upon real property which was subject to State or local taxation immediately prior to acquisition by the United States. Such payments may be in the amounts, at the times, and upon the terms the Corporation deems appropriate, but the Corporation shall be guided by the policy

of making payments not in excess of the taxes which would have been payable for such property in the condition in which it was acquired by or on behalf of the United States, except in the case where, because of special burdens placed upon the State or local government by the activities of the Corporation or its agents, the Corporation and the State or local government concerned enter into an agreement providing for payments in excess of such taxes.

(b) The Corporation, its property, franchises, and income are hereby expressly exempted from taxation in any manner or form by any State, county, municipality, or any subdivision thereof.

SEC. 18. (a) The Manager shall have power to make and amend such reasonable rules and regulations as he may deem necessary, in the interest of public safety or to carry out the purposes of this Act, governing the protection of property and the conduct of persons on any area within the jurisdiction of the Corporation.

(b) Whoever knowingly and willfully violates any rule or regulation prescribed under subsection (a) of this section shall be fined not more than $500 or imprisoned not more than six months, or both.

SEC. 19. (a) Any employee of the Corporation appointed to protect life and property on any area within the jurisdiction of the Corporation, when designated by the Manager, is authorized and empowered—

(1) to arrest under a warrant within the limits of the jurisdiction of the Corporation any person accused of having committed any offense against the laws of the United States, or against any rule or regulation prescribed pursuant to this Act, within such jurisdiction;

(2) to arrest without warrant any person committing any such offense within the jurisdiction of the Corporation in his presence; and

(3) to arrest without warrant within the jurisdiction of the Corporation, any person he has reasonable grounds to believe has committed a felony within the jurisdiction of the Corporation.

(b) Any employee having the power of arrest as provided in subsection (a) of this section may carry firearms and such other weapons as the Manager may direct or by regulation may prescribe.

(c) The Secretary of the Interior may, at the request of the Manager, assign members of the United States Park Police to patrol any area under the jurisdiction of the Corporation. Any member of the United States Park Police so assigned shall be subject to the supervision and direction of the Secretary of the Interior and is authorized to make arrests within any area under the jurisdiction of the Corporation for the same offenses, in the same manner, and under the same circumstances as described in subsection (a) of this section.

(d) The officer or employee of the Corporation on duty, who is in command of those employees of the Corporation having the power of arrest as provided in subsection (a) of this section, may accept deposit of collateral from any person charged with violating any rule or regulation prescribed under this Act, or the Act entitled "An Act to authorize the United States Park Police to make arrests within Federal reservations in the environs of the District of Columbia, and for other purposes", approved March 17, 1948 (62 Stat. 81), for appearance in court or before the appropriate United States Commissioner; and such collateral shall be deposited with the clerk of the appropriate United States court or with the appropriate United States Commissioner.

SEC. 20. (a) Section 101 of the Government Corporation Control Act (31 U.S.C. 846) is amended by inserting immediately after "Federal Housing Administration" the following: "; National Capital Airports Corporation;".

(b) Section 3 of the Act entitled "An Act to authorize the United States Park Police to make arrests within Federal reservations in the environs of the District of Columbia, and for other purposes", approved March 17, 1948 (62 Stat. 81), is amended by striking out "and Fairfax" and inserting in lieu thereof ", Fairfax, and Loudoun".

SEC. 21. The following Acts and parts of Acts are repealed:

(1) Sections 2, 3, 4, 5, and 6 of the Act entitled "An Act to provide for the administration of the Washington National Airport, and for other purposes", approved June 29, 1940 (D.C. Code, secs. 7–1302 to 7–1306, inclusive).

(2) The proviso contained in the first paragraph under the subheading "ADMINISTRATOR OF CIVIL AERONAUTICS" under the center heading "DEPARTMENT OF COMMERCE" in title I of the First Supplemental Civil Functions Appropriation Act, 1941 (54 Stat. 1039).

(3) The Act entitled "An Act to authorize the construction, protection, operation, and maintenance of a public airport in or in the vicinity of the

District of Columbia", approved September 7, 1950 (D.C. Code, secs. 7–1401 to 7–1412, inclusive).

SEC. 22. Nothing in this Act shall be construed to modify, alter, or terminate any agreement between the United States and the Commonwealth of Virginia entered into pursuant to section 107 of the Act entitled "An Act to esablish a boundary line between the District of Columbia and the Commonwealth of Virginia, and for other purposes", approved October 31, 1945 (59 Stat. 553).

SEC. 23. If any provision of this Act or the application of such provision to any person or circumstances shall be held invalid, the remainder of the Act and the application of such provision to persons or circumstances other than those to which it is held invalid shall not be affected thereby.

SEC. 24. This Act shall become effective on July 1, 1963.

[H.R. 2081, H.R. 3328, H.R. 3406, 88th Cong., 1st sess.]

A BILL To transfer certain administrative responsibility for the operation of Washington National Airport and Dulles International Airport from the Administrator of the Federal Aviation Agency to a Washington Airports Board, 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 "Washington Airports Act of 1962".

SEC. 2. (a) There is hereby established an agency of the United States to be known as the Washington Airports Board (hereafter in this Act referred to as the "Board") which shall be composed of five members who shall be appointed by the President, by and with the advice and consent of the Senate, as soon as practicable after the date of enactment of this Act, for terms of six years each; except that, of the members first appointed under this section, one shall be appointed for a term of two years, one for a term of three years, one for a term of four years, and one for a term of five years, as designated by the President at the time of such appointment. Three of the members so appointed shall constitute a quorum. Any person appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed only for the remainder of such term. The President shall designate annually one member of the Board as chairman and one member of the Board as vice chairman. The vice chairman shall act as chairman during the absence or incapacity of the chairman. The members of the Board may be removed by the President for inefficiency, neglect of duty, or malfeasance in office. Not more than three members of the Board shall be appointed from the same political party. Each member of the Board shall receive compensation at the rate of $20,000 per annum, except that the member serving as chairman shall receive compensation at the rate of $20,500 per annum.

(b) The members of the Board shall be appointed with due regard to their fitness for the efficient dispatch of the powers and duties vested in or imposed upon the Board under this Act. Each member of the Board shall be a citizen of the United States and no member of the Board shall have any stock in, or bonds of, any civil aeronautics enterprise. No member of the Board shall engage in any other business, vocation, or employment.

(c) The Board shall have control over, and responsibility for, the care, operation, maintenance, and protection of (1) the airport described in the Act entitled "An Act to provide for the administration of the Washington National Airport, and for other purposes", as amended, approved June 29, 1940 (54 Stat. 686), and (2) the airport constructed under the Act entitled "An Act to authorize the construction, protection, operation, and maintenance of a public airport in or in the vicinity of the District of Columbia", as amended, approved September 7, 1950 (64 Stat. 770).

(d) The Board is authorized, subject to the civil service and classification laws, to appoint and fix the compensation of such officers and employees as may be necessary to carry out the duties vested in and imposed upon the Board under this Act.

(e) The Board is authorized to issue such regulations as it may deem necessary to enable it to carry out its duties under this Act.

(f) The Board shall make an annual report to the Congress, on or before January 15 of each year, which report shall contain detailed information with respect to the work performed by the Board during the preceding fiscal year.

SEC. 3. The Act entitled "An Act to provide for the administration of the Washington National Airport, and for other purposes", as amended, approved June 29, 1940 (54 Stat. 686), is amended as follows:

(1) In the first section of such Act, strike out subsection (a) and insert in lieu thereof the following:

"(a) 'Board' means the Washington Airports Board established by section 2 of the Washington Airports Act of 1962.".

(2) In sections 2, 3, and 7 of such Act, strike out "Administrator" and "he" each place they appear in such sections and insert in lieu thereof "Board" and "it", respectively.

(3) In section 4 of such Act, strike out "Administrator" and "Federal Aviation Agency" each place they appear and insert in lieu thereof "Board".

(4) In section 6 of such Act, strike out "Administrator" and insert in lieu thereof "Board".

SEC. 4. The Act entitled "An Act to authorize the construction, protection, operation, and maintenance of a public airport in or in the vicinity of the District of Columbia", as amended, approved September 7, 1950 (64 Stat. 770), is amended as follows:

(1) In the first section of such Act, strike out "the Administrator of the Federal Aviation Agency (hereinafter referred to as the 'Administrator')" and insert in lieu thereof "the Washington Airports Board (hereafter in this Act referred to as the 'Board'), established by section 2 of the Washington Airports Act of 1962,".

(2) Strike out "Administrator" each place it appears in such Act (other than in the first section thereof) and insert in lieu thereof "Board".

(3) In sections 4 and 8(a) of such Act, strike out "Federal Aviation Agency" where it appears in each of such sections and insert in lieu thereof "Board".

(4) In sections 4, 5, and 9 of such Act, strike out "he" where it appears in each of such sections and insert in lieu thereof "it".

(5) In section 7 of such Act, strike out "his" and insert in lieu thereof "its".

(6) In section 11 of such Act, strike out "Civil Aeronautics Act of 1938" and insert in lieu thereof "Federal Aviation Act of 1958".

SEC. 5. (a) All orders, determinations, rules, regulations, permits, contracts, and privileges which have been issued, made, or granted by the Administrator of the Federal Aviation Agency in the exercise of duties, powers, or functions which, under this Act, are transferred to the Washington Airports Board, and which are in effect at the time this section takes effect, shall continue in effect according to their terms until modified, terminated, superseded, set aside, or repealed by the Board, or by any court of competent jurisdiction, or by operation of law.

(b) The provisions of this Act shall not affect any proceedings pending before the Administrator of the Federal Aviation Agency at the time this section takes effect, but any such proceedings shall be continued before the Washington Airports Board.

(c) No judicial proceedings lawfully commenced by or against any agency or officer of the United States, in relation to the discharge of powers, duties, or functions transferred to the Washington Airports Board under this Act, shall abate by reason of such transfer, but the court may, on motion or supplemental petition filed at any time within twelve months after such transfer takes effect, showing a necessity for a survival of such proceedings to obtain a settlement of the questions involved, allow the same to be maintained by or against the Board.

(d) The officers, employees, and property (including office equipment and official records) of the Federal Aviation Agency as the President, after consultation with the Administrator of such agency, shall determine to have been employed in the exercise and performance of those powers, duties, and functions transferred to the Washington Airports Board under this Act, shall be transferred to the Board upon such date or dates as the President shall specify. The transfer of personnel under this section shall be without reduction in classification or compensation, except that this sentence shall not prevent the adjustment of classification or compensation, after the end of the fiscal year during which such transfer is made, to conform to the duties to which such transferred personnel may be assigned. All official records transferred to the Board under this section shall be available for use by it to the same extent as if such records were originally records of the Board.

(e) Such of the unexpended balances of appropriations available for use by the Federal Aviation Agency in the exercise of those powers, duties, and func-

tions transferred to the Washington Airports Board under this Act shall be transferred to the Board upon such date or dates as the President shall specify and shall be available for use by the Board in the exercise of its powers, duties, and functions under this Act.

SEC. 6. (a) The provisions of subsection (c) of section 2, of sections 3 and 4, and of subsections (a), (b), and (c) of section 5, of this Act shall become effective on the sixtieth day following the date on which the last of the five members of the Board first appointed under this Act qualifies and takes office.

(b) The remaining provisions of this Act shall become effective on the date of enactment of this Act.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., March 18, 1963.

Hon. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your letter of February 14, 1963, requesting the views of the Bureau of the Budget on H.R. 2081, and your letter of February 16, 1963, requesting the views of the Bureau of the Budget on H.R. 826.

H.R. 826 provides for the creation of a National Capital Airports Corporation which would be subject to the direction of the Administrator of the Federal Aviation Agency. H.R. 2081 would establish as an agency of the United States a Washington Airports Board composed of five members appointed by the President, by and with the advice and consent of the Senate.

H.R. 826 would confer upon the Corporation the powers and financial flexibility customarily accorded, and necessary for the operations of, Government corporations. The bill also applies to the Corporation the types of controls which the Congress has in the past determined are best suited to business activities.

The Corporation to be established under H.R. 826 would be required to operate on a "self-sustaining business enterprise basis consistent with sound commercial practice." Its rates and charges would have to be established with due regard to all operating costs and interest payments which would be required on the Government's investment. The management of the Corporation would be vested in a General Manager, who would be appointed by, and subject to the direction of the Administrator of the Federal Aviation Agency, and there would be established a five-member advisory board to review the general policies of the Corporation and advise the Manager and the Administrator with respect thereto.

The Bureau of the Budget strongly favors the objective of making the Washington National Airport and the new Dulles International Airport self-sustaining business enterprises. We believe that the use of the corporate form of organization and financing provided in H.R. 826 will greatly facilitate the accomplishment of that objective. On the other hand, H.R. 2081 would fragment responsibility for Federal aviation activities without improving the potential for operation of the airports by accepted business methods.

Under present law, the airports have no authority to use their receipts, must obtain all of their funds from annual appropriations, cannot sue or be sued in their own name, and are generally subject to the provisions of law with respect to budget, accounts, audit, expenditure of funds and property applicable to Government agencies which do not conduct business-type operations and whose costs are borne by the general taxpayer. Many of those laws are not suitable to the most effective operation of a commercial enterprise such as the airports, and we believe the application to the airports of controls and authorities especially designed for Federal business-type activities is necessary and would be most advantageous. Furthermore, the users of the airports services will find it difficult to distinguish between the airports and other wholly tax supported Government services so long as it is not organized as a business enterprise and is not dependent on revenues to finance its operations. While the National Capital Airports Corporation would have to obtain appropriations to finance new major capital expenses, it would be authorized to utilize its revenues for the payment of all expenditures incurred in carrying out its budgetary program as approved by the Congress. The Board which would be established by H.R. 2081 would offer none of these advantages.

There has been an increasing awareness, both in the Congress and the executive branch, that forms of organization, financial procedures and controls applied to traditional Government activties are not necessarily suitable to commercial operations such as civil airports. That view was reflected in the enactment in 1945 of the Government Corporation Control Act which provided for new types of controls adapted to the needs of Federal business operations. In reporting on the Control Act, the Senate Committee on Banking and Currency recognize that "the corporate form of organization is a useful device for carrying out a variety of Government services and programs, of a continuing as well as emergency character" (S. Rept. 694, 79th Cong. 1st sess).

The Bureau of the Budget believes that proposals to establish new Government corporations should be subject to scrupulous analysis and review in terms of the recognized criteria for the use of the corporate device which were set forth in the President's 1948 budget message (pp. M57–62). Our analysis indicated that the proposal embodied in H.R. 826 is consistent with these criteria. We are convinced that adoption of the corporation concept embodied in H.R. 826 would benefit the users of the airports and the taxpayer by placing the operations of the airports on a sound business basis without in any way weakening essential congressional controls.

In addition to the failure of H.R. 2081 to provide for the authorities necessary to properly operate the airports on a business basis, H.R. 2081 would vest responsibility in a board rather than in a single individual who could be held personally accountably for the operation of the airports. H.R. 2081 would also create a new Government agency reporting directly to the President. We believe that it is unwise to create new small agencies reporting directly to the President except under special circumstances which do not exist in the case of National Capital airports.

The Bureau of the Budget is strongly opposed to H.R. 2081. Its enactment would be inconsistent with the administration's objectives. The Bureau of the Budget urges favorable consideration of the corporation concept of H.R. 826. Enactment of legislation to create a National Capital Airports Corporation would be consistent with the administration's objectives.

Sincerely yours,

(Signed) PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., March 21, 1963.

Hon. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further response to your request of February 18, 1963, for a report on H.R. 826, a bill to create the National Capital Airports Corporation, to provide for the operation of the federally owned civil airports in the District of Columbia or its vicinity by the Corporation, and for other purposes.

Since the Civil Service Commission would not be administratively concerned with the programs of this proposal, our comments are limited to the personnel provisions.

Section 2 of the bill creates, under the direction of the Administrator of the Federal Aviation Agency, a National Capital Airports Corporation as an agency of the United States to operate, maintain, and protect the Washington National Airport and other Federal airports in the vicinity of the District of Columbia.

Section 6(10) authorizes the Corporation to appoint and fix the compensation of officers, attorneys, agents, and employees as may be necessary to carry out the provisions of this legislation in accordance with civil service laws and the Classification Act of 1949, as amended.

Section 8 vests the management of the Corporation in a General Manager to be appointed by the Administrator, Federal Aviation Agency, subject to the civil service laws, and compensated at a rate not to exceed "the maximum rate permissible under section 302(f) of the Federal Aviation Act of 1958."

The Federal Aviation Agency is currently authorized by section 302(f) to fix the salaries for 23 positions at not to exceed the highest rate for GS–18 ($20,000). One of the positions paid under this authority, we understand, involves the duties and responsibilities which will be transferred to the new posi-

tion of General Manager of the National Capital Airports Corporation. This raises the question as to the need for authorizing the Administrator to compensate an additional position subject to the limitation in section 302(f). We suggest it would be more appropriate to explore the possibility of compensating the General Manager under the existing authority in that section.

Section 9 establishes an Advisory Board of the National Capital Airports Corporation to be composed of five members appointed by the Administrator without regard to civil service laws. Members from the executive branch will receive no additional compensation for their services on the Board. Members from private life (of which there shall be a majority) will receive a rate not in excess of the per diem equivalent of the maximum rate for GS–18 (now $76.96). All members of the Board will be reimbursed for travel, subsistence, and other necessary expenses in accordance with the Travel Expense Act of 1949.

Section 9(d) exempts Board members from private life from the conflict of interest provisions in sections 281, 283, 284, 434, and 1914 of title 18 of the United States Code and section 190 of the Revised Statutes.

Section 190 of the Revised Statutes (5 U.S.C. 99) was repealed by Public Law 87–849. The remaining provisions were repealed and supplanted by sections 203, 205, 207, 208, and 209 of title 18 of the United States Code as set forth in section 1 of Public Law 87–849. Public Law 87–849 also repealed all existing exemptions of executive branch officers and employees and establishes a category of Government officers and employees, designated as "special Government employees," and made the prohibitions with respect to their activities in a private capacity less extensive than those applicable to regular employees acting in the same capacity.

In light of the removal of the exceptions and the establishment of the category of "special Government employees" to remove the necessity of special exemptions, we believe it would be more appropriate to include the Board members presently exempted by sectoin 9(d) of H.R. 826 within the amended provisions of title 18 of the United States Code. This could be accomplished by deleting section 9(d) in its entirety.

Section 12 of the bill deals with the contributions the proposed Corporation would make to the civil service retirement and disability fund to cover the Government's share of retirement system costs applicable to its employees.

Section 4(a) of the Retirement Act requires each agency, from and after July 1, 1957, to pay into the retirement fund sums equal to its employees' retirement deductions (now 6½ percent). The bill requires that the proposed Corporation pay, not only these regular matching employer contributions, but sufficient additional sums based on Commission annual billings to cover the excess of the total normal cost rate of the retirement system over the employee and employer payments. The Corporation would also be required to pay into the Treasury as miscellaneous receipts that portion of administrative retirement costs attributable to its employees, as determined by the Commission.

We concur in this feature. It is in line with existing statutory requirements applicable to Government corporations which operate on a self-sustaining basis.

With the exception of section 9(d), which we suggest be deleted, and the pay-fixing authority in section 8, the Commission does not object to enactment of the personnel provisions discussed above.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

By direction of the Commission:

Sincerely yours,

(Signed) JOHN W. MACY, Jr., *Chairman.*

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., April 24, 1963.

B–120047.

HON. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Further reference is made to your letter of February 18, 1963, acknowledged on February 19, requesting the comments of the General Accounting Office concerning H.R. 826, 88th Congress, 1st session, entitled "A bill to create the National Capital Airports Corporation, to provide for the operation

of the federally owned civil airports in the District of Columbia or its vicinity by the Corporation, and for other purposes."

This bill is similar to H.R. 7399, 87th Congress, 1st session, upon which our comments were furnished to your committee by letter dated July 17, 1961, and by testimony of members of our staff during hearings held by your Subcommittee on Transportation and Aeronautics on July 18, 1961. We feel that our basic objections to that bill, which are summarized below, are equally applicable to H.R. 826.

The Administrator, Federal Aviation Agency, has advanced several reasons for incorporating the airport. In analyzing the reasons advanced, we have applied the standard that the public interest is best served when congressional control over activities is exercised through annual reviews and affirmative action on planned programs and financing requirements which attend the appropriation processes, and the application of statutes and regulations which usually govern the operations of Government agencies.

In our opinion, departure from this standard should be permitted only on a clear showing that an activity cannot be successfully operated in the public interest within this framework. Any contemplated change which may diminish this congressional control should be carefully considered as to its need. All practical means available within the regular structure should be fully explored. In the absence of special circumstances, changes in organizational structure, authority, and financing methods, with the resulting lessening of congressional control, should be made only if their demonstrable merits in terms of more efficient operation of the activity clearly, outweigh the disadvantages of reduced congressional control. We do not believe that such a showing has been made with respect to the local airports.

The reasons heretofore advanced for incorporating the airports by the Administrator, Federal Aviation Agency, are stated below and are followed by our comments on each of the several reasons.

1. The existence of a corporation with business-type budget and accounting practices will make it easier for the Federal Aviation Agency, the President, and the Congress to review and evaluate the effectiveness of airport operations and management.

The claim that a corporation, or for that matter any change in financing methods, is necessary to achieve improved budgeting, accounting, and reporting is not consistent with the current concepts which underlie continuing efforts to bring about improvements in financial management in the Federal Government. These concepts are set forth in Bureau of the Budget Bulletin No. 57-5, Improvement of Financial Management in the Federal Government, in which we concur in basic principle. Neither is such a contention consonent with the accounting principles, standards, and related requirements which we have prescribed under authority of the Budget and Accounting Procedures Act of 1950, and in which the Director of the Bureau of the Budget and the Secretary of the Treasury concurred. As has been frequently pointed out, budgeting, accounting, and reporting may be designed to suit the individual and particular needs of any activity under any method of financing. Therefore, we do not believe that the claimed need for improvement in these areas is a valid reason for incorporating the airports.

2. The demands posed on airport operations by rapid development in aviation require that the airport organization have the capability of responding swiftly to changing circumstances which directly affect the safety and convenience of the public and the efficient operation of air carriers. The normal budget processes are simply not capable of responding to such unforeseen demands and, as a result, inadequacies constituting serious hazards to safety and interfering with efficient operations have persisted for prolonged periods of time at the Washington National Airport. Under the corporate form of organization, the revenues of the airport can be utilized in the prompt correction of most inadequacies in airport services and facilities.

We recognize that the airports, as well as any other Government activities, may be faced with some demands on their resources due to rapid developments and changing conditions which they were unable to predict. However, we do not believe that this fact will itself serve to justify any reduction in congressional control. We agree that some flexibility may be needed where it can be demonstrated that an activity by its very nature must be so immediately responsive to economic changes or any other changes that any delay in taking necessary action would defeat the primary purpose for which the activity was created. However, even in such situations, it does not necessarily follow that incorporation is the only solution.

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Financing mechanics are available to conventional agencies which can provide essential flexibility in financing while at the same time retaining an appropriate and desirable degree of congressional control. One such alternative is for the Congress to authorize an appropriation in a stated amount for a permanently available separate emergency fund. Such a fund could be replenished in the amounts disbursed therefrom by annual appropriations based on an accounting by the agency to be included and justified in the annual budget request.

With specific reference to the prolonged existence of hazards to safety at the Washington National Airport, which the Administrator attributes to the inadequacy of regular budgetary processes, attention is invited to the Senate hearings on the Independent Offices Appropriation Act, 1960, page 428. These hearings contain an extensive discussion of matters of particular urgency. In response to inquiries as to the action taken to correct the deficiencies, the Administrator stated that a request for the necessary funds had been presented to the Bureau of the Budget. However, a request for an appropriation was not submitted for consideration of the Congress until the submission of the budget for the following fiscal year. The Independent Offices Appropriation Act, 1961, authorized a no-year appropriation for use in eliminating the existing safety hazards and to undertake other improvements at the airport. Thus, any delay in obtaining the needed appropriation would appear to have been occasioned by administrative delay in requesting the appropriation rather than any inadequacy of the regular budgetary processes.

We believe that airport management has the responsibility to see to it that safety hazards are removed without delay. To the extent that existing conditions can be recognized or foreseen as hazards to safety, we think they are matters which lend themselves to projection within the regular budget cycle. However, even where safety hazards are not recognized or are unpredictable, we believe that incorporation is not necessary for their correction. A remedy may be provided through the use of an emergency fund, such as we suggest above; if not, through the supplemental appropriation processes.

3. The corporation will also be able to conduct business negotiations with other commercial entities on a more satisfactory basis than is possible under the current system in which revenues are deposited directly in the Treasury and are not available to provide services or to meet obligations.

In our opinion, a Federal activity does not require corporation status in order to permit it to deal effectively with private business organizations. Many Federal agencies which are not incorporated deal regularly with private business organizations and we have no information that they are hampered in such dealings by lack of corporation status.

In the specific area of fees and rents, many agencies of Government supply services and supplies to the public and only a minority of these are authorized to retain all of the collections so realized. Presumably the buyers need the supplies and services furnished and recognize that they must meet the seller's terms. With specific reference to the airports, the Administrator has authority under section 3 of the act of June 29, 1940 (54 Stat. 688), to determine and fix rents for the use of services and facilities at the National Airport. Similar authority with respect to the Dulles International Airport is granted by the act of September 7, 1950 (64 Stat. 770). The authority of the airports to use their revenues should not, in our opinion, be a factor in setting the level of rents.

While standards for rents are not set by the cited acts, there are other legal regulatory and congressional policy expressions available for guidance. For example, title 5 of the Independent Offices Appropriation Act, 1952 (65 Stat. 290; 5 U.S.C. 140) states it to be the intention of the Congress that services to the public shall be self-sustaining to the fullest extent possible and this notwithstanding the additional provision in the act that, unless otherwise provided, receipts realized from the furnishing of services and supplies shall be deposited in the Treasury as miscellaneous receipts. Another example is the Bureau of the Budget Bulletin No. 58-3 which states that full costs should be recovered for services furnished and that fair market values should be realized from the sale or use of federally owned resources of property. The Bulletin recommends that sound business management principles and comparable commercial practices should be followed as far as practicable and advisable.

We believe that the Administrator now has ample guidance to deal effectively with the airlines and concessionaires in setting and adjusting fees and rents. In any event, the approval of charges to be made by the airports or the congressional policy with respect thereto can be established by a specific legislative requirement without need for incorporation. A number of unincorporated

activities are required by law to establish rates and prices for goods and services furnished sufficient to recover costs, and in some cases an amount for repayment with interest on the Government's investment. In our report to the Congress on the audit of the Washington National Airport for the fiscal years 1956–58, we discussed the need for a long-range official policy governing fees and charges for airport facilities and services (pp. 8–13) and recommended that the Federal Aviation Agency establish such a policy.

There are other aspects to the greater flexibility in contracting methods which is attributed to the corporation structure. These relate to exemptions from standard requirements of law pertaining to Government contracts, such as the authority to make contracts or other commitments without reference to fiscal year limitations and to negotiate contracts without advertising. The Congress, under the cited acts of June 29, 1940, and September 7, 1950, already has conferred broad contracting authority on the Administrator, particularly with respect to the leasing of facilities and arrangements with concessionaires. Also, under authority of section 302(c) of the Federal Property and Administrative Services Act of 1949, as amended (41 U.S.C. 252), the General Services Administration has delegated to the Administrator (GSA delegation No. 361, Jan. 27, 1959) authority to negotiate without advertising certain contracts for supplies and services in connection with airport activities other than the administrative program conducted by the Federal Aviation Agency. We are not aware of any reason for greater leeway. If additional freedom is necessary, it may be granted by the Congress even if the airports are not incorporated.

The indicated need for the retention of revenues to conduct business negotiations on a satisfactory basis seems to lack validity. We are of the opinion that management officials of all Government agencies should, in carrying out their assigned responsibilities, endeavor to conduct their operations in an efficient and economical manner irrespective of whether the operations are financed out of appropriations by the Congress or out of revenues retained for that purpose.

> 4. A commercial airport operation is precisely the kind of predominantly business type activity for which the Congress has made provision by enacting the Government Corporation Control Act of 1945.

This statement seems to suggest that recognition by the Congress of the corporation structure as an acceptable means of conducting certain Government activities may be regarded as a declaration of congressional intention that the corporation structure for certain types of activities is to be preferred over the conventional organizational and financing structure. We believe that this conclusion is not compatible with the Government Corporation Control Act and related circumstances. Instead, the basic intention of the Congress in enacting the act was to give it the means to exercise control over, and otherwise restrict, previously incorporated activities, rather than to create new corporations. This view is supported by section 304 of the Government Corporation Control Act (31 U.S.C. 869) which abolished all then existing corporations unless they were rechartered by the Congress before June 30, 1948. Only a few new corporations have been chartered since enactment of the act and the total number of such organizations which now are operating as going concerns represents a drastic reduction from the number in existence when the act was enacted. Moreover, a number of activities which have characteristics similar to those corporations approved under the act are now operating as conventional organizations with financing provided through regular appropriation and budgetary processes.

With respect to specific sections of H.R. 826, we offer the following additional comments:

Section 5(a) (p. 3, line 2) provides for the setting of rates and charges on a "self-sustaining basis" while section 5(b) (p. 3, line 10) provides that rates and charges be "consistent with rates and charges of a similar nature at comparable airports within the United States." There is a possibility of a conflict between these two provisions, particularly in the case of Dulles International Airport which, in the first years of operation, may not be able to operate on a self-sustaining basis if rates and charges are consistent with those of comparable airports.

Section 6(5) (A) and (B) (p. 6, line 5) provides for acquiring property and constructing buildings and improvements without specific authorization by the Congress. The only restrictions placed on the initiation of capital projects or new types of activities is that contained in section 11 (p. 14, line 17) that such capital projects or new activities shall be included in the annual budget program prescribed by section 102 of the Government Corporation Control Act. We believe the Congress would be provided with better control if H.R. 826 provided

that the Congress would have to specifically approve items of this nature before they could be undertaken; since this could be accomplished by requiring approval in annual appropriation acts of such projects and new activities with such limitations as the Congress may decide to establish.

Section 6(5)(D) (p. 6, line 19) would allow contractors or lessees to alter, repair, or improve property of the Corporation. In this connection, we direct attention to the possibility of concessionaires and tenants obtaining a vested and continuing interest in the improvements made by them to Government-owned property which would necessitate subsequent expenditures by the Government to remove such vested interests. In addition, this authority would permit substantial changes to be made to Government-owned property without specific approval by the Congress, thereby reducing congressional control.

Section 6(10) (p. 8, line 3) includes the word "specifically" which, as suggested in our comments on H.R. 7399, should be omitted from H.R. 826.

Section 10(b) (p. 12, line 19) which cites the basis for the computation of interest to be paid into the Treasury appears to be unduly complicated. For example, it involves an analysis of expenditures by fiscal year for the assets transferred to the Corporation (p. 13, line 15). In our opinion, the same general objective could be accomplished if H.R. 826 provided for the payment of interest at rates established by the Secretary of the Treasury on the basis of the Government's net investment in the Corporation as provided for in the law applicable to the Panama Canal Company. If the Congress should want to exclude certain items from the interest base, this could also be provided for in the bill.

Section 10(c) (p. 13, line 21) provides for crediting payments to the Treasury of funds excess to current needs to the appropriation account from which advances are made. This provision does not appear necessary since such a determination would be arbitrary because of the impossibility of determining whether excess funds were generated from appropriations or from receipts from operations. This provision would also tend to lessen congressional control due to the fact that such payments would be available to the Corporation without going through the appropriation process. Funds considered excess of current needs would be available for future use without specific congressional authorization.

Section 10(e) (p. 14, line 9) which provides that advances from appropriations to cover actual losses of prior years shall not require the payment of interest does not seem to be consistent with the declared objective stated in section 5(a) (p. 3, line 2), of H.R. 826 that to the maximum extent practicable the Corporation should operate on a self-sustaining basis consistent with sound commercial practices. In a commercial operation, it is a sound practice to attempt to recover losses in a current period from future operations whether through reduction of costs, adjustment of rates charged, increase in volume of business, or a combination of all three. The exclusion of interest from such an item would result in failure of the Corporation to be entirely self-sustaining. Accordingly, it is suggested that the Congress may wish to consider limiting this provision to extraordinary losses resulting from unforeseen catastrophe or disaster.

Section 13 (p. 16, line 3) provides for the use of the Corporation's airports by aircraft of the Department of Defense without charge. Such use without charge would be consistent with the provision in section 11(4) of the Federal Airport Act (49 U.S.C. 1110), for public airports developed, in part, with Federal funds. However, this section of the Federal Airport Act authorizes public airports to assess charges in those cases where substantial use is made of the airport facilities. In an audit on the operations at Washington National Airport for fiscal years 1959, 1960, and 1961, currently in process, we noted that space rentals and landing fees not recovered from the Department of the Air Force in fiscal year 1961 totaled $59,340, or about 3 percent of the total airport operations.

Section 14 (p. 16, line 18) which provides for the furnishing of space without charge to certain Government agencies should also be considered in relation to the operation of the Corporation's airports on a self-sustaining basis. Public Law 87-255 (75 Stat. 527) amended section 109 of the Federal Aviation Act of 1958 (49 U.S.C. 1509) to authorize the appropriation of funds to enable certain Federal agencies to acquire necessary space at public airports. The agencies involved are the Immigration and Naturalization Service, Public Health Service, Bureau of Customs, and the Plant and Animal Quarantine Service. The provision in Public Law 87-255 applicable to public airports (as defined in the Fed-

eral Airport Act) could be made applicable to the Corporation's airports in H.R. 826.

Section 17(a) (p. 20, line 4) provides for payments to State and local governments in lieu of taxes on real property. FAA presently does not make payments in lieu of taxes on real property owned by the Government.

General.—H.R. 826 does not contain such a provision as was contained in H.R. 7399, to transfer to the Corporation the unexpended balances of any appropriations made for the construction, operation, and maintenance of the airports to be transferred to the Corporation. This could create a confusing situation whereby the airport operations would be financed in part by funds not available to the Corporation so that the corporate financial statements would not disclose all financial activities related to the airports for which it would have the responsibility for administration.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, D.C. March 25, 1963.

Hon. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN HARRIS: This is in further response to your request for our views on H.R. 826, a bill to create the National Capital Airports Corporation, to provide for the operation of the federally owned civil airports in the District of Columbia or its vicinity by the Corporation, and for other purposes.

Section 12(a) of the bill would require the proposed Corporation to make at least quarterly contributions to the employees' compensation fund for the full cost of benefits paid from such fund on account of injuries to employees of the Corporation. It would also require payment into the Treasury of the United States as miscellaneous receipts to cover the cost of administration of benefits attributable to such cases.

As you know, the Federal Employees' Compensation Act was amended during the 86th Congress by the act of September 13, 1960 (Public Law 86-767, 74 Stat. 906). As a result of these amendments, the proposed Corporation would be required to make payments to the employees' compensation fund and to the Treasury under the Federal employees' compensation program. The special provisions contained in the bill also requiring such payments are therefore unnecessary. Under these circumstances, we would suggest that the bill be modified to eliminate this duplication.

Except for this suggested modification, we have no comment to offer with respect to this proposal and would have no objection to its enactment.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Yours sincerely,

W. WILLARD WIRTZ,
Secretary of Labor.

CIVIL AERONAUTICS BOARD,
Washington, D.C., March 18, 1963.

Hon. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your letter of February 14, 1963, requesting a report by the Board on H.R. 2081, a bill to transfer certain administrative responsibility for the operation of Washington National Airport and Dulles International Airport from the Administrator of the Federal Aviation Agency to a Washington Airports Board, and for other purposes.

The Board appeared before your committee on May 2, 1962, in opposition to H.R. 10471, 87th Congress, which was similar to the present H.R. 2081. The Board's position was that the Washington National Airport had been successfully operated by the Federal Aviation Agency, and that it would be unwise to transfer the functions of operating the federally owned airports in the

Washington area to an entirely new group. Rather, the Board believed that it would be more desirable to establish a National Capital Airports Corporation for ownership and operation of such airports, under the direction of the Administrator of the Federal Aviation Agency.

The Board continues to be of these views, and is of the opinion that legislation along the lines of H.R. 826, now pending before your committee and proposing a National Capital Airports Corporation, would provide a more appropriate method for operation of the airports. Further, this method of operation, it is believed, would be more in accord with the proposal by the administration in the 1964 budget for legislation "to establish a Federal corporation to consolidate the management of the Dulles International and Washington National Airports and to place these essentially commercial operations on a business-type basis" (1964 Budget of the U.S. Government, pt. IV, p. 90).

The Board does not, therefore, favor the enactment of H.R. 2081, but would favor the enactment of legislation along the lines of H.R. 826.

We have been advised by the Bureau of the Budget that enactment of H.R. 2081 would be inconsistent with the administration's objectives and that enactment of legislation to create a National Capital Airports Corporation would be consistent with the administration's objectives.

Sincerely yours,

ALAN S. BOYD, *Chairman.*

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., March 21, 1963.

Hon. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further response to your request of February 14, 1963, for a report on H.R. 2081, a bill to transfer certain administrative responsibility for the operation of Washington National Airport and Dulles International Airport from the Administrator of the Federal Aviation Agency to a Washington Airports Board, and for other purposes.

The Civil Service Commission does not oppose the provisions in section 2 which fix the salaries for the five members of the proposed Washington Airports Board and authorize necessary personnel to be appointed and compensated in accordance with civil service and classification laws. These are the only provisions in H.R. 2081 of administrative concern to the Commission.

We would like to point out, however, that throughout the bill this legislation is referred to as the "Washington Airports Act of 1962." This date should be changed to "1963."

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

By direction of the Commission.

Sincerely yours,

(Signed) JOHN W. MACY, Jr., *Chairman.*

Mr. FRIEDEL. I have my own statement I would like to have put in the record as well as one from Senator Beall, and one from Senator Brewster.

(The statements referred to follow:)

STATEMENT OF HON. SAMUEL N. FRIEDEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. Chairman, I want to thank you for your cooperation in scheduling an early hearing on my bill, H.R. 2081, to create a separate board to operate Washington National and Dulles Airports. Before going into the merits of my bill I want to point out to the committee that this measure does not include the amendments suggested during the hearings last year. I thought it best to start at the beginning, but I would welcome any suggestions the members of this committee wish to make to amend my bill.

To state briefly the purpose of H.R. 2081, it would create a separate board to operate Washington National and Dulles International Airports. At the present time, the Federal Aviation Agency is owner, operator, and regulator of these two airports and this creates a conflict of interest which should be corrected at the earliest possible moment. This committee has jurisdiction over all the

regulatory agencies and we would not tolerate any other agency owning and operating the same facilities it is charged with regulating. I do not think any exception should be made in the case of the FAA because we already have ample evidence that such an arrangement is not in the best interest of the traveling public.

More than 10 years ago, the old Civil Aeronautics Administration and the Civil Aeronautics Board officials testified before this committee that Washington National Airport traffic had reached a saturation point, which resulted in several near accidents. This testimony was given to justify the need for an additional airport to serve the Baltimore-Washington area, in spite of the fact that Friendship Airport was available to handle jet traffic. However, neither the CAB, the CAA, or its successor, the FAA, took any action to relieve the congestion at Washington National during the 10 years before Dulles Airport was operational until it was ordered to do so by the Congress. This is proof positive that the FAA was not acting in the best interest of the flying public. When other airports around the country became overcrowded, the old CAA and the new FAA took prompt action to correct the situation—and they would have done the same at Washington National if they had not been the owner of the airport, as well as its regulator and operator.

You all know the history of the building of a new airport for the Washington-Baltimore area. The CAA started out telling us that the new airport would cost $14 million and we have poured more than $106 million into this white elephant and more money is requested again this year. However, the Dulles Airport is operating now and there is nothing to do but use it. But I repeat again what I have said for 10 years, and that is, this airport has cost the taxpayers dearly and it will continue to cost millions of dollars each year.

Even before Dulles opened for business last fall, we heard of instances where the FAA was putting pressure on the airlines to move to Dulles, whether they wanted to or not. And believe me, gentlemen, the airline people I have talked to told me that they were not moving to Dulles voluntarily. In fact, these airline officials stated that it would cost them $1 million more to operate from Dulles than it did to operate from Friendship.

In December 1961 the Aviation Daily reported this statement made by the Administrator of the FAA. "The carriers are trying to treat me just like any other airport owner and they won't get away with it. This is a threat to them. If they don't come to me within 2 weeks, we'll lay the terminal out ourselves and that will be it." Now, I ask you, gentlemen, could any other airport owner in the country get by with this kind of pressure on the airlines? Of course they could not.

But this is part of the reason why the FAA should not be permitted to function as owner—operator—and regulator—of these two airports. As long as this situation continues, the public convenience and necessity will not be the basis for deciding which airport the airline may use. Such decisions will continue to be based on how much money the FAA can get out of their white elephant in Chantilly, Va.

When the Federal Aviation Agency was established by this committee its purpose was outlined to be as follows:

(1) The regulation of air commerce in such a manner as to best promote its development and safety and fulfill the requirements of national defense.

(2) The promotion, encouragement, and development of civil aeronautics.

(3) The control of the use of navigable airspace of the United States and the regulation of both civil and military operations in such airspace in the interest of the safety and efficiency of both.

(4) The consolidation of research and development with respect to air navigation facilities, as well as the installation and operation thereof.

(5) The development and operation of a common system of air traffic control and navigation for both military and civil aircraft.

I believe it is past time for the FAA to go back to these functions as originally authorized by Congress—and get out of the business of owning and operating the same airports it regulates.

It would be interesting to know just how much time Mr. Halaby has spent on operating Dulles Airport and solving its problems when he could have been devoting his considerable talents and experience to the job FAA was set up to do. Surely there is enough to do in developing an airways system and promoting safety without having to be a part-time builder and real estate agent. Last year, FAA officials stated that they wished to be "independent of Dulles." I

think now is the time to grant their wish and put Dulles and Washington National in the same boat as airports all over the United States.

My bill proposes that an airport board be established to operate Washington National and Dulles International Airports and that this board shall consist of five members appointed by the President, with the advice and consent of the Senate. Such a board would operate these airports by providing service on the basis of public convenience and necessity. These airports would continue to be subject to FAA regulation, the same as all other airports in the country, but they would operate free from FAA pressures.

Some people have expressed concern that such a board might be subject to political pressure if the members were appointed by the President. In this connection, I would like to point out that officials of all the regulatory agencies are now appointed by the President and I do not see why an airport board would be any different as far as politics are concerned.

Incidentally, it might be well to specify in the bill that one member of the board should be from Maryland, one from Virginia, and one from the District of Columbia, since these are the areas which are served by Washington National and Dulles International Airports.

To give you a brief example of the need for such a separate board, I would like to point out that the FAA has already forced 40 percent of the airlines' jet flights to move from Friendship International Airport to Dulles. Public convenience and necessity was not considered.

People from Baltimore City and other parts of Maryland must travel 70 miles to reach Dulles Airport and the distance from some sections of Northwest Washington are almost as great. Yet the jet flights have been ordered to operate from Dulles because the FAA wants to make that airport show that it can pay its way, thereby justifying the expenditure of more than $100 million of the taxpayer's money.

Do any of you gentlemen know of any other major city in the country where the citizens must travel 70 miles to catch a jet plane? I have not heard of any, and I am sure the people of other large cities would not tolerate this situation. They would demand—and get—better service. But the people of Washington have no Representatives in Congress to plead their case and the FAA has turned a deaf ear to the pleas of Washington residents and the people of Baltimore and their Representatives for better jet services from Friendship.

Incidentally, I might mention that Friendship was one of the first airports in the country equipped to handle jet flights and good service was being provided for the people in the Washington-Baltimore area out of Friendship before Dulles opened last fall. No one has disputed this—not even the FAA and I do not know of any complaints from air travelers who landed at Friendship.

Now, if an airline wants a certificate to service the Baltimore-Washington area from Friendship, it is told that it must service Washington out of Dulles and request a separate certificate to service Baltimore. Airline passengers are led to believe that if they want to buy a ticket to Washington, they must take the jet flights into Dulles. FAA does not even consider the fact that at least 4 million people live within a 50-mile radius of Friendship, while only about one-third that number live within a 50-mile radius of Dulles. Ground travel time is brushed aside as a matter of no consequence, but I am sure the traveling public does not agree with this view.

This is just one more example of disregard for the public interest when we have a Government agency acting as owner, operator, and regulator of these two airports.

I believe that the creation of a separate airport board to operate these two airports is important to the residents of the Washington area because it will provide the area with more efficient airport administration and operation. It is important to the taxpayers because it will mean a more economical operation by people whose sole interest will be providing good airport service. And it is important to the FAA and the air transportation industry because it will give the Administrator more time to devote to his duties as developer and regulator of an airport system which will provide the maximum safety for air travelers.

I have told you why I think my bill is a good one. Now I want to tell you why I am opposed to the so-called Airport Corporation bill sponsored by the FAA, and my reason is a simple one. This measure is designed to provide back-door spending authority for the FAA so that they will not have to come before Congress each year to justify the expenditure of more millions of dollars of the taxpayers' money. That is the sum and substance of the FAA bill and I do not think this principle is a sound one.

This Corporation bill does not correct the conflict-of-interest problem I am talking about because it would make the Administrator of the FAA head of the new so-called Airport Corporation. As a matter of fact, it will only compound the conflict of interest because the Administrator of the FAA, as head of the Corporation, will have automatic access to funds which he does not have to justify before the Congress.

Thank you for your patience, gentlemen. I hope you will take favorable action on my bill to create this separate Airport Board because it is in the public interest.

STATEMENT OF HON. J. GLENN BEALL, A U.S. SENATOR FROM THE STATE OF MARYLAND

Mr. Chairman, I appreciate being given this opportunity to submit my views with respect to the establishment of a Washington Airports Board. Your subcommittee has before it four bills on this subject. H.R. 2081, introduced by Mr. Friedel, is identical to S. 738, which I cosponsored with Senator Brewster. H.R. 3406 and H.R. 3328, introduced by Congressman Lankford and Long, are similar to H.R. 2081. A fourth bill, H.R. 826, introduced by the chairman of this subcommittee, adopts a somewhat different approach.

H.R. 2081 would transfer the responsibility for the operation of Washington National Airport and Dulles International Airport from the Federal Aviation Agency to a Washington Airports Board. This bill would thus remove the Federal Aviation Agency from its dual role as both operator and regulator of the Washington airports. The establishment of a Washington Airports Board is essential if we are to guarantee a free competitive atmosphere for all of the airports in the area.

Mr. Chairman, it is well known that I have been a critic of the Dulles International Airport from the time of its conception. More than $100,000,000 in Federal funds have been invested in this facility—an amount far in excess of original estimates. The Dulles Airport is now a reality, and it is not my intention to sabotage the orderly development of this facility. At the same time, I will not stand by and allow an airport, federally conceived and financed, to be given a preference in competition with Friendship Airport, which has for some time provided efficient and effective service to the Washington metropolitan area.

H.R. 826, introduced by Mr. Williams, contemplates the creation of a National Capital Airports Corporation, subject to the direction of the Administrator of the Federal Aviation Agency. This bill would, in my opinion, perpetuate the discriminatory atmosphere which led to the introduction of the bills introduced by members of the Maryland delegation. At present, the administration of the Washington airports is directly under the control of the man responsible for regulating the very airlines which will have to make a choice as to whether to use Dulles or Friendship. This man is the Administrator of the Federal Aviation Agency, and it is my opinion that it is impossible for him to wear the two hats of airports promoter and impartial aviation regulator at the same time. For this reason, I oppose H.R. 826.

Last year, officials of the Federal Aviation Agency and the Civil Aeronautics Board announced that upon completion of Dulles International Airport, all jet service for Washington would be diverted from Friendship International Airport to Dulles. Since 1959, Friendship has served Washington area jet traffic efficiently and effectively. Yet this traffic was to be diverted by Federal edict, for no reason other than that Dulles is to be considered the airport of the Nation's Capital. So long as Dulles and Washington National are administered by the Federal Aviation Agency, service to area residents and preference of the airlines will no longer be factors in determining the development of commercial aviation in the metropolitan area.

At present, Friendship offers more convenient service to residents of Montgomery and Prince Georges Counties, as well as those people living in the western half of the District of Columbia. These people deserve the right to choose the airport facility which best serves their needs. I do not suggest that Friendship be given a preference. At the same time, I cannot condone preferential treatment for Dulles.

Mr. Chairman, Friendship International Airport serves a regional area in excess of 6 million population. An increasing number of people and businesses have become dependent upon the air service provided by this facility. At the

same time, the growth of Friendship Airport has reflected the growth of the area which it serves. Any action to expand the Dulles Airport by arbitrarily reducing the ability of Friendship Airport to serve this rapidly expanding area cannot be condoned. It is for this reason that my colleagues and I vigorously support the establishment of an agency independent of the Federal Aviation Agency to administer the Washington airports. The establishment of a Washington Airports Board will insure equitable treatment for all airports serving the Nation's Capital.

Mr. Chairman, I know I speak for hundreds of thousands of residents in both Maryland and the District of Columbia when I urge favorable consideration of H.R. 2081.

U.S. SENATE,
COMMITTEE ON GOVERNMENT OPERATIONS,
March 19, 1963.

Hon. JOHN BELL WILLIAMS,
Chairman, Transportation and Aeronautics Subcommittee, Interstate and Foreign Commerce Committee, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I had hoped to appear before your committee in person to testify on behalf of Congressman Freidel's bill, H.R. 2081, which would create a separate Washington Airports Board and transfer certain administrative responsibility for the operation of Washington National Airport and Dulles International Airport from the Administration of the Federal Aviation Agency to this newly created Board.

Unfortunately, I must be away from Washington on official business and I must, therefore, use this means of expressing my full support of H.R. 2091 and identical companion bills introduced by Congressman Lankford and Congressman Long of Maryland.

Senator Beall and I have introduced identical legislation in the Senate, which has been referred to the Senate Committee on Commerce.

It may be said that the Maryland delegation's interest in this legislation is parochial and that we are merely attempting to protect the interest and welfare of Baltimore's Friendship International Airport. For myself, in all candor, I must admit that I am interested in protecting Friendship's interest, but the overriding consideration in my sponsorship of this legislation is my firm conviction that our Nation's air passengers, our airlines, and our airport boards all over the country would be better served if the FAA is relieved of its present dual role as both operator and regulator of Washington National and Dulles International Airports.

Under current law, the FAA is charged with the ownership and also the operation of these airports which compete with other airports also subject to its regulations. It is my firm belief that such an arrangement constitutes a clear conflict of interest and is contrary to the public interest. I believe that the FAA should promptly be relieved of its operational and promotional interest in Dulles International and Washington National Airports in order that it may be completely free to concentrate on its primary function of enforcing safety regulations and maintaining proper air control and navigational facilities.

I am sure that your subcommittee will hear ample testimony from representatives of the Friendship Airport Board and others who are testifying on behalf of aviation interests of the State of Maryland regarding the need for improved service at Friendship.

We who support this legislation are definitely not seeking any preferential treatment for Friendship International Airport. We are merely trying to establish a climate where Friendship can compete freely and openly with any and all facilities which seek to serve the thousands of air travelers in the Greater Washington metropolitan area.

I am convinced that the establishment of an independent Washington Airports Board would assure that such a competitive climate did exist.

I respectfully urge your subcommittee's favorable consideration of H.R. 2081 and would appreciate it if you would make this letter a part of the record of your hearings.

Sincerely yours,

DANIEL B. BREWSTER,
U.S. Senator.

Mr. FRIEDEL. At this time I will call on my colleague from Maryland, Congressman Long.

STATEMENT OF HON. CLARENCE D. LONG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. LONG. It is a great pleasure to appear here this morning before this subcommittee, presided over by my good friend and colleague, Sam Friedel, who has compiled a really distinguished record in his service here in Congress for Maryland and for the country. We have great affection and respect for him in the Maryland delegation.

Mr. Chairman, and members of the committee, I appreciate this opportunity to appear before you as a witness for H.R. 3328, which I introduced February 4, to divorce ownership of Dulles International Airport and Washington National Airport from the Federal Aviation Agency, and to set the administration of those airports up under a separate board.

I introduced this bill because of the conflict of duties inherent in the present operation and ownership of these two airports by the FAA, whose primary function is to enforce air safety regulations, maintain proper air traffic control and air navigation facilities throughout the United States, and promote civil aviation.

You would not expect the ICC, which regulates railroads, to run a railroad, nor the Coast Guard, which regulates intercoastal traffic and harbors, to run a marina.

Men faced with a conflict of duties may honestly attempt to act objectively, but their judgments nevertheless remain open to question.

Yet the FAA, which polices airline and airport safety, also acts as airport landlord in the case of Washington National and Dulles.

I would like to spell out for the record some of the present duties of the FAA.

1. It owns and operates Washington National and Dulles Airports.
2. It allocates construction subsidies to non-Federal airports.
3. It regulates airline and airport safety. The FAA licenses pilots and crews and conducts regular in-flight checks of their performance. It also inspects airline maintenance procedures.
4. The FAA provides airport controllers at all major fields and provides for air navigation devices throughout the Nation.
5. It controls the use of navigable airspace in the interest of the safety and efficiency of both.
6. The FAA also is charged with the promotion, encouragement, and development of civil aeronautics.

Now, I would like to spell out for the record some of the duties of the FAA's sister agency, the Civil Aeronautics Board.

1. It regulates rates and routes.
2. It conducts accident investigations with FAA cooperation.
3. It provides airline subsidies.

Because the work of these two agencies frequently overlaps, as in an accident investigation, and requires much cooperation, the CAB and FAA are closely related and have a great community of interest, although each is formally independent of the other. A good example of this would be a route scheduling case before the CAB which might require an FAA appraisal of the airspace questions involved.

Between these two agencies many decisions are made which vitally affect the airlines. Therefore, I would like to see Dulles and Washington National run by an agency which has no direct or indirect ties with the FAA. Mr. Halaby, himself, said before this committee last year that he would like to see the operation of Dulles as far from his office as possible.

We saw recently what happened because of FAA airport ownership when Dulles opened last fall. Airlines which are losing money daily and depend heavily upon Government subsidy rushed headlong from Friendship to the new jetport despite the fact that landing fees there are more than twice those at Friendship.

One airline even canceled Friendship-Miami daytime jet service with high passenger loads and high profits and initiated substantially the same flights at Dulles, where it promptly lost money and had poor passenger loads and was obliged to move part of its service back to Friendship.

We also have the public word of a foreign carrier that it moved its London service from Friendship to Dulles because the FAA had announced the Chantilly Field was to be the "official" National Capital Airport.

Thus, we saw in a very short space of time a great transfer of flights from Friendship, a well-established, modern airport convenient for both Baltimore and Washington, to Dulles, a half-completed, rural terminal with higher landing fees which is extremely inconvenient for Maryland passengers.

Indeed, if you take Friendship as the center of a circle and extend the radius 50 miles, you will see that more than 4 million people live in this area. A similar circle around Dulles would show only a third of Friendship area population. Moreover, many of those who lie within the Dulles circle also lie inside the Friendship circle.

The FAA and its sister agency, the CAB, have denied that they exercised any undue influence upon the airlines to patronize Washington National or Dulles at the expense of Friendship. I believe this is a statement honestly made. Mr. Halaby has said he wants to "let the passenger decide" where he will fly from.

With certain qualifications, however, passengers fly from the airport where the service is. If passengers cannot get the service they want, at the most convenient airport, they must either go to another airport or take the train—or not go at all.

So the passenger does not always decide directly which airport he will fly from or to. The airlines and the CAB make much of his decision for him by scheduling some service here, other flights there.

The people of Baltimore believe that many airlines have offered service at Dulles not because the market called for it, but because the carriers do not wish to offend the FAA, which polices the industry.

They would like to see Friendship compete on more even terms with Washington National and Dulles. A separate, independent National Capital Airports Board would put to rest their fears that FAA influence could, or would be, used to injure the competitive position of Friendship in the Baltimore-Washington air market.

Thank you, Mr. Chairman.

Mr. FRIEDEL. Thank you very much.

Congressman Broyhill, of Virginia.

STATEMENT OF HON. JOEL T. BROYHILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. BROYHILL. Mr. Chairman, I do not have a prepared statement. I intend to be as brief as possible, because I understand the chairman wants to try to conclude these hearings this morning.

Furthermore, as the chairman knows, this committee held extensive hearings on this legislation last year—I am referring to H.R. 826. I am particularly interested, Mr. Chairman, in section 7 of H.R. 826, beginning on page 8, line 14, and ending on page 9, line 5.

The substance of that language is to authorize the transfer of the access road to the Dulles International Airport over to any Federal or State agency, and it has language in there which would not prevent the construction of additional highway lanes on that right-of-way.

Now, this problem was brought to light last year when the original legislation was proposed by the Federal Aviation Agency in which they asked for authority in the legislation to transfer the access road to another Federal agency.

Now, in the original Airport Act of 1950, there is authority to transfer the access road to any State agency or to the District of Columbia government. But they asked last year for authority to transfer it to a Federal agency. And we were advised that that Federal agency they had in mind was the National Park Service, who publicly indicated that if they took over the access road, that they did not intend to permit any further widening of such access road.

At the time that the land was acquired, it was indicated by the then Administrator of the FAA that enough right-of-way was going to be acquired and was acquired to permit future widening of the access road to meet local traffic needs.

Of course, by transferring this right-of-way to another Federal agency, without any restrictions or requirements, then what we think is an obligation would be ignored by the Federal Government.

So we proposed language last year, Mr. Chairman, to amend that proposal, to require that—or rather to state in effect that any transfer to a Federal agency would not prevent the widening of the access road if necessary to meet local transporation needs, or traffic needs.

I have received a commitment from our State highway commissioner in Virginia that they would agree or are ready to agree to any of three alternatives concerning that access road.

No. 1, that they would be willing to take over the additional right-of-way at this time, and immediately proceed with the issuance of bonds to provide the revenue for the construction or paving of the right-of-way, and of course would set up a toll system for repaying the bonds.

Secondly, they would be willing to take over the entire access road, the portion which is now paved, for maintenance, if they could obtain an agreement from the Federal Aviation Agency that local traffic could have access to the existing pavement up until the traffic count reaches a certain point. Or third, if the Congress or the Bureau of Public Roads could see fit to transfer this highway or make this access road a part of the Interstate Highway System, or a spur of the Interstate Highway System, the State of Virginia would be willing to pay 10 percent of the original construction cost, and of course 10 percent of the cost of any necessary cost for future widening.

Now, Mr. Chairman, we in Virginia are very much concerned to what happens to this access road, or any language that might affect the access road, because the access road actually splits Fairfax County in half. It is a limited-access road. You cannot get on it at any point other than going directly to and from the airport. The town of Herndon, the community of Herndon, out there is an existing community which is suffering an impact by virtue of the construction of this airport. The people there at Herndon feel that they should be permitted to get on this access road and go back and forth to Washington, particularly in view of the fact that the access road is hardly being used at this time, and will not be up to its saturation point for many, many years.

We feel that there should be some access granted to that road until it does—until the traffic count increases to a point that, let's say, would make it inconvenient for local use of the access road.

We hope that the committee will certainly go along with the language of section 7. If any further legislation is necessary to permit the transfer of this access road, or portion of the access road to the State of Virginia, I intend to introduce it in separate legislation in the event that this legislation get bogged down in other controversy.

Mr. FRIEDEL. I can assure the gentleman it will be considered. But do you think that once Virginia is allowed to use this access to Dulles Airport, and maybe 5 years from now it would be required to transfer all the traffic to that airport, that the people from Virginia would get off these access roads once they were given permission to use them?

Mr. BROYHILL. I think there would have to be some rather binding agreement on that. The State of Virginia is willing now to proceed with the construction of additional lanes on the additional right-of-way. I believe in view of that—or rather, if Virginia follows through with that action, then the FAA could well afford to let the local people have access to the existing paving until this additional paving is completed.

I don't think they would be sticking their neck out. Certainly it is somewhat like a dog in a manger to have such a wide, beautiful road like that out there that is hardly being used, when there are local people that could use it for commuting back and forth to Washington. I think we could come to an agreement with the FAA or through some congressional legislation to permit access to the existing paving for a period of 3 or 4 or 5 years, or until the traffic count reached a certain point, whichever comes first, to assure that the State of Virginia won't get on the existing paving and then stay on it for an indefinite period of time. I think we can come to such an agreement.

Mr. FRIEDEL. Mr. Hemphill.

Mr. HEMPHILL. Thank you, Mr. Chairman.

I am sorry I missed part of your testimony.

You are referring to H.R. 826, when you said section 7——

Mr. BROYHILL. H.R. 826, section 7, which refers to the transfer of the access road.

Mr. HEMPHILL. Well, if I read it correctly, on page 7, it says——

Mr. BROYHILL. Page 8, beginning line 14, section 7.

There is a question in my mind, Mr. Chairman, whether or not this language is even necessary, if the entire access road is transferred to the State of Virginia, because the original Highway Act of 1950 does authorize such a transfer. I believe, or it is my understanding, that

this language got into the bill because the FAA wanted the authority to transfer it to another Federal agency. And that is what bothered us, because that Federal agency was the National Park Service, and the National Park Service has announced they are not interested in providing for commuter traffic, or movement of traffic in any way. They are interested in park lands and park roads. They are not the agency, in my opinion, who should have control over a road that was built for movement of traffic and not scenic beauty.

Mr. HEMPHILL. It seems to me we are faced here with a problem which is similar to the noise abatement problem. Apparently the States or the municipalities or others want the Federal Government to go in and construct an airport, put the funds in there, prescribe the safety, and take all the precautions, and then about the time we get the thing constructed, they want to come in and tear it up by saying "We want some local privilege." I have been somewhat distressed here at people who claim much authority want to either dump the problems on the Federal Government or congest the problems.

We have put a lot of money out here in the State of Virginia. And now it seems to me that this would defeat what we are trying to do—get people back and forth to that airport in a hurry. I am right much concerned—because the last time I went out there, it took me about 45 minutes to get back. And if you let this access road be used as a channel for tractors, farms, everything else, all the local traffic, it seems to me that we are going to defeat the purpose of it.

Isn't that going to be the effect of it?

Mr. BROYHILL. I think the gentleman from South Carolina makes a very good point. It is not the intention of the people residing in that area to saturate the access road to the point it would not be fully utilized for its original intention.

We didn't ask for that airport out there, Mr. Hemphill. We are glad to have it; we think it is going to help our community, the economy of the community—no question about that.

But the airport was not put out there at the request of the insistence of the people of northern Virginia, or the State of Virginia. And Mr. Friedel can testify to that, because we joined together in resisting the construction of the International Airport out there when it was proposed to be located at Burke, Va. We didn't feel it was necessary. The airport was authorized and constructed and funds were appropriated because the Congress wanted it out there for the Nation's Capital. Whether Virginia wanted it or not, it was shoved down our throat. It was not put out there because we wanted it out there.

Mr. HEMPHILL. You are looking a gift horse in the mouth.

Mr. BROYHILL. The access road was put right across the county, and it did cause some injury to the county.

We merely asked to have some use of the lanes which were constructed until it reached this point of saturation, or let's say caused too much crowdedness on the access road to be fully usable for Dulles Airport.

I used the expression "a dog in the manger." That I think best describes our position. We would like to use some of that paving out there until it gets up to somewhere near its capacity. We are not asking to crowd this access road to Dulles to wherein it will not be, or make the Dulles Airport easily accessible. I don't quarrel with

what the gentleman thinks about this situation. But we are not trying to do something that I think is unreasonable at all.

Mr. HEMPHILL. Well, I haven't been on this subcommittee but a short while, but I have been interested in it for some time, in these problems. I recently went into Dulles Airport in a private airplane, three or four takeoffs and landings, just to see.

Now, if you start this, you put the foot in the door. The next thing there are going to be two or three big developments. There is no zoning ordinance out there, is there?

Mr. BROYHILL. Yes, indeed.

Mr. HEMPHILL. Against housing?

Mr. BROYHILL. Not immediately around the airport. There is an FHA restriction against housing.

Mr. HEMPHILL. I am talking about housing so far as the county.

Mr. BROYHILL. Certainly there is zoning throughout Fairfax County, most rigid.

Mr. HEMPHILL. I certainly share the gentleman's sentiments about using Friendship. But that is past, Dulles Airport is a fact.

Now, if we let the access road be used for every purpose, and a foot gets in the door, the next thing is we have a flowering development, because this area is expanding, and we have the supermarkets and everything else, then we have noise abatement all over again. And the governing authority is going to say to the Federal Government, "Stop the noise.' Of course it is strange to me—I had forgotten Virginia didn't want it. Usually Virginia wants everything it can get from the Federal Government free. That has been my observation here.

Mr. FRIEDEL. Will the gentleman yield? Some people in Virginia did want it. Probably Congressman Broyhill was opposed to it.

Mr. HEMPHILL. I didn't want to digress on that, except to say Virginia usually wants everything it can get its hand on. It has on a conservative blindfold but has its hands out.

But that doesn't make any difference.

What I am saying is we are creating a problem here if we let you get your foot in the door. And that is what you are trying to do. I am not saying it in any—of course there is nothing personal about it. If you sit up here and hear these people talk about noise abatement, or if you had been with us in New York and heard one of these politicians really outdemagog anybody we had really ever seen, giving us lessons in telling Congress what it had done, after we built out there with the people's money you would realize our concern. I just don't want to create another problem. While the gentleman knows of my personal affection for him, I just think our responsibility here would require that we take a long look at any effort to use this access road for any other purpose.

Mr. BROYHILL. I just say this. The language of this bill certainly does not permit or require—permitting the use of the existing paving. It merely in authorizing the transfer of the right-of-way to another Federal agency, does not prohibit, or will permit the construction of additional lanes on the right-of-way—not the use of the existing paving. And that was the original intention, when the land was acquired.

We are trying to get onto the existing paving, I grant you that, with the understanding we get off when it reaches a certain point. We are

trying to work that out administratively with the FAA, and we hope when we start the construction of the additional lanes, they will grant us that temporary permission.

I will confess to the gentleman I will take all I can get for my district out there. I think all of us are that way, as far as serving our people. We don't look a gift horse in the mouth, no. We don't like to look a gift horse in the mouth either.

Mr. HEMPHILL. I am glad to hear the gentleman say that. The reason I questioned the gentleman as I did was because of other related problems which I see on the horizon.

For my part, we have the power to instruct the FAA to take extra precautions to make sure that the full traffic use is as intended, because if it takes 45 minutes to an airport, or an hour, it just slows down transportation, and it is a burden on air traffic you are trying to develop. We have this investment out there, and we are trying to develop it. We are not going to develop it if we impede it by slowing down the access or egress from the airport.

Mr. BROYHILL. I agree with the gentleman.

Mr. HEMPHILL. Thank you, Mr. Chairman.

Mr. FRIEDEL. Mr. Devine.

Mr. DEVINE. Mr. Broyhill, when this limited access highway was constructed, did that displace an existing highway or road in Virginia?

Mr. BROYHILL. No, it did not. It just took off across the field and split farms and backyards and so forth. It did divide a lot of property and it did divide the county almost in half.

Mr. DEVINE. But it did not divert existing traffic.

Mr. BROYHILL. No, it caused no injury to existing traffic, other than possibly the impact caused by the airport, particularly around the town of Herndon, which caused additional people to move out there, and additional traffic needs. We are not complaining really to much about that, Mr. Devine, as much so as it is there, and we would just like to use a portion of it until it reached the point Mr. Hemphill was talking about.

Mr. DEVINE. Was this constructed with those mythical Federal funds?

Mr. BROYHILL. Yes, indeed; 100 percent.

Mr. DEVINE. The State of Virginia didn't contribute to the construction?

Mr. BROYHILL. No. The access road was built with 100 percent Federal funds.

Mr. DEVINE. Acquisition of right-of-way also used so-called Federal funds?

Mr. BROYHILL. Yes. It is about an $18 million construction job. I said in my statement that if we intended to make it part of the Interstate System, which could be done, it is a spur to the Interstate System, then, of course, it could go into a 90–10 formula and the State of Virginia could go along with it.

Mr. HEMPHILL. If the gentleman would yield—the State of Virginia is ingenious in getting things with 100-percent Federal funds. I congratulate the gentleman.

Mr. DEVINE. Well, that wasn't the purpose of my inquiry, Mr. Chairman.

Are you acquainted, Mr. Broyhill, with any of the zoning regulations or restrictions in the area immediately surrounding Dulles?

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Are there any zoning restrictions on construction of anything relating to Dulles?

Mr. BROYHILL. In Fairfax County, most of the property out near the airport is zoned rural. Any zoning for residential would require an action of the county board of supervisors.

There has been rezoning between the town of Herndon and Route 7 for a large community development at Reston, that will be right along the access road.

Mr. DEVINE. Is that in close proximity to the runways?

Mr. BROYHILL. No, I don't think it will be affected at all by any of the noise of the airport. One thing—the FHA has pretty well zeroed this noise factor in, and they have their own standards of safety insofar as noise and hazards is concerned, and what would be insurable under the FHA. And most developments have to have FHA insurance to be a success today, and be competitive today.

Mr. DEVINE. It might be well for the county supervisors to take notice that this will become an increasingly heavily traveled airport. And as the gentleman from South Carolina pointed out, we hear testimony time and time again about noise from jet aircraft. And I think those of us on the committee have been sympathetic with those presently existing residents, where a new airport facility goes in, but very little sympathy for those persons who move in later and then complain about the noise.

Mr. FRIEDEL. Will the gentleman yield at that point. If I may add, of all the complaints we have had about noise, we have yet to hear one complaint about Friendship Airport. It is properly zoned. There are no tall buildings in the area. And residents are far away from the airfield. We have yet to hear one complaint about Friendship.

Now, Virginia should be farsighted enough to go ahead and do what Friendship did.

Mr. DEVINE. I have no further questions.

Mr. FRIEDEL. Thank you, Mr. Broyhill.

Mr. BROYHILL. Thank you.

Mr. FRIEDEL. Our next witness will be Congressman Fallon.

Mr. FALLON. Mr. Chairman, I do have a prepared statement. I would like just to make a few remarks from the statement, and ask the consent of the committee that the full statement be printed in the record.

STATEMENT OF HON. GEORGE H. FALLON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. FALLON. Mr. Chairman, I would like to say here and now that the volume of air traffic that had been generated at the Friendship National Airport has, up until this time, been generated through fair and competitive methods. However, it is significant to note that in the past 4 months since Dulles Airport has been in operation, 40 percent of the jet traffic has been transferred from Friendship to Dulles.

It is an unfortunate situation, and certainly it has been discussed in this committee, and many times to me by very many of Maryland's prominent citizens. And also in connection with this, they discuss the size of the Federal budget and advocate in all instances that the States and local governments should take on many of the expenses that are

incurred in our Federal budget. They seem to think that the States should go back to helping themselves in many expenditures that they are asking the Federal Government to take on.

Now, here is a case where the city of Baltimore and the State of Maryland went ahead and floated a bond issue of $15 million, with about $4 million airport aid from the Federal Government, built this up-to-date airport for the future.

Certainly in the design of the airport, they had in mind the jet age. But we had to sit around with this large expenditure for a number of years before the jets came into being.

When the jets came into being, that is when the Friendship International really came into being and was transferred from the red into the black.

Now comes a solely Government operated, owned, and paid for project that is competing with Friendship. And I don't think there is anybody in our State that is against this competition. But we are against what is happening now, what we consider unfair competition. And I think that the bills that have been introduced by Mr. Friedel and several other of our Maryland members would go a long way probably to correct this unjust treatment that we feel we are getting in Baltimore. And certainly it is my hope that the committee recognizes the necessity of affording Friendship an opportunity to compete in a fair and just manner with the Federal Government.

Mr. Chairman, I appreciate the opportunity to appear before this committee today. And I might say that much of my statement is a rehash of the testimony that has been before this committee before, citing figures and percentages. But I thought I would like to emphasize that when we are trying to help ourselves in Maryland and in Baltimore, that we should have at least a fair opportunity to compete with this Government operation.

Mr. FRIEDEL. Thank you.

Mr. Hemphill.

Mr. HEMPHILL. I want to say to our distinguished colleague, I have used Friendship on occasions. You have a beautiful airport which I think is a credit to the State of Maryland.

Has the gentleman ever investigated—I am sure he has—the possibility of—I say this in no criticism of the present transportation to Friendship; I have found it satisfactory and certainly they don't charge very much—improving that by a monorail system or something like that to get people to Friendship?

Mr. FALLON. I might say that is not too much of a problem in getting people into Friendship from Baltimore because it is only 7 miles. From Washington I understand it is about a 40-minute run, and has been done as low as 35, which comparatively speaking is a much faster time than most of the large airports throughout the country. And of course you have flown to most of the large cities in the country. And an hour, an hour and 15 minutes in many instances is not unusual.

As a matter of fact, one of our distinguished Senators and myself came from the new airport in Chicago to the center of the city, and it took us an hour and three-quarters one morning. Now, it might have been an unusual situation where the traffic at that time might have been heavy. But, nevertheless, I don't think that in any case, regardless of the time of day or the traffic volume, it would take an

hour from the center of Washington to Friendship, and certainly not more than 25 to 30 minutes from the center of Baltimore to Friendship.

So that the time element, I think, compares much more favorably than most large cities in the country.

Mr. HEMPHILL. I would like to ask you one more question. You say that the total cost was $15 million from Maryland's funds?

Mr. FALLON. Originally. In other words, when Baltimore wanted this airport—we had an airport on the outskirts of Baltimore which was inadequate, and we needed a new airport. So they built an airport for the future. And without any Government help at all at the time, we went ahead and raised $15 million under a bond issue. And then after we got going—and later through the Airport Aid Act I think that this committee sponsored in the past, we got just about what other airports would in the country in proportion to the amount of money that we were spending. And I think to date we have about $20 million invested in the airport, of which a little over $4 million is Federal money.

Mr. HEMPHILL. Thank you.

Mr. FRIEDEL. I would like to add that the city of Baltimore had a $5 million bond issue in the last November election. And they are still spending more money to improve Friendship.

Mr. FALLON. I might add after the questioning of Mr. Broyhill, that that does not include the road that is built from the Baltimore expressway into Friendship. That was built by the State highway department with State money.

Mr. HEMPHILL. Is that a controlled access road?

Mr. FALLON. Not into the Friendship Airport, it is not. It is a dual highway. But it is limited access.

Mr. HEMPHILL. Thank you very much.

Mr. FRIEDEL. Mr. Devine.

Mr. DEVINE. Mr. Fallon, I think this situation here, as far as Friendship, is a prime example of the Federal Government being in competition with at least local governments. The people in your State, the people in Baltimore, faced up to their responsibilities, they saw the need, they went ahead and started this with money other than Federal money. But now we have Dulles. I was not here when it was authorized. But we have it. And it is not going to be eliminated.

Can you tell me, Dulles having been in operation less than 4 months now, the percentage of traffic that has been reduced at Friendship as a result?

Mr. FALLON. Well, my understanding was that 40 percent of the jet flights have been transferred out of Friendship over to Dulles.

Mr. DEVINE. Forty percent.

Mr. FRIEDEL. Jets.

Mr. FALLON. Jets. And this was the first up-to-date jet runway—one of the first that was built south of New York.

Mr. DEVINE. What do your administrators at Friendship—how do they see the long-range future on this? Do they figure they are all going to phase out, or 50 percent, or 80?

Mr. FALLON. What we are concerned about, and what they are concerned about, is the increasing amount of flights that may be transferred due to the unfair competition that we have through a regulatory body being the housekeeping body at the same time. The people

that are managing the airport, or looking toward its success, are people who regulate the airlines. And they can exert an influence over these airlines that is really not only not fair to the airlines, but fair to to the public.

Mr. DEVINE. Do you feel that Mr. Friedel's bill will resolve this situation satisfactorily?

Mr. FALLON. It will help considerably.

Mr. DEVINE. I don't know of any legislation that comes through this committee, be it health, safety, or anything else, that Mr. Friedel doesn't get Friendship into one way or the other.

Mr. FALLON. Mr. Devine, Mr. Friedel is always alert on all matters pertaining to Maryland.

Mr. FRIEDEL. Thank you.

Mr. FALLON. Thank you, Mr. Chairman.

(The statement of Mr. Fallon follows:)

STATEMENT OF HON. GEORGE H. FALLON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

By far the most serious problem facing Friendship International Airport today is the unfair "coercing" of airlines by the Civil Aeronautics Board and the Federal Aviation Agency into transferring service for Maryland and District of Columbia travelers to the new Dulles Airport at Chantilly, Va.

In the interest of the air-traveling public, the Federal Aviation Agency should be relieved of responsibility for the operation of the Washington National Airport and the Dulles International Airport. The Federal Aviation Agency is primarily a regulatory agency and not an operating agency. It should not have the responsibility of developing and operating the facilities which it is designed to regulate.

Congressman Friedel's bill, H.R. 2081, to create a separate airport board, will accomplish this end in a most satisfactory manner. Under his bill, the airport board would be an independent agency and under such a body the Washington National and Dulles International Airports would be placed in the same position with the FAA as all other airports. It would afford Friendship an opportunity to compete with Dulles in a fair manner. It would do away with the conflict of interest which presently exists and which is adversely affecting the fine service that Friendship has to offer.

I would like to say here and now the volume of air traffic that has been generated at the Friendship International Airport has been done through fair and competitive methods. However, it is significant to note that since Dulles has been in operation, 40 percent of Friendship's jet flights have been transferred to Dulles.

The unfortunate situation at Friendship has been gone into thoroughly by a number of prominent State and city officials of Maryland. In discussing the matter with me, they object strenuously—and justifiably so—to the enormous Federal budget, particularly, the undesirability of how little by little the Government is taking over functions that should be carried on by the States. Friendship Airport is one operation which was financed largely by bonds floated by the people of Baltimore City trying to do the job themselves with a minimum of Federal help. I believe I am correct in stating that Friendship has a total investment of approximately $20 million, of which Federal grants aggregate slightly over $4 million. The Dulles Airport has already drawn some $105 million from the public purse over the past 12 years.

I think it is a sad commentary on our Government when the citizens in various States are endeavoring to help themselves, for the Government to come along—as in the case of the Dulles International Airport—and put an already existing operation such as Friendship in the red. It certainly does not encourage communities to successfully follow through on projects initiated by them and which should be carried on by them and the various States without interference from the Government. We, in Baltimore, believe that airports must be put on a self-sustaining basis with revenue sufficient to establish reserves for future replacements and betterments. However, unless there is traffic in and out of an airport, such as Friendship, there will not be revenues to operate the facilities.

Unless remedial legislative action is taken—and taken soon—as proposed in Congressman Friedel's bill, Dulles will continue to take jet flights from Friend-

ship and eventually Friendship will be forced to fold up. The city of Baltimore, which owns and operates Friendship, cannot condone the existing preferential treatment to Dulles International on the basis that the Federal Government owns and manages the latter. We vigorously protest the treatment to which Friendship is being subjected.

It is my earnest hope the members of this committee will recognize the desirability and necessity of affording Friendship the opportunity to compete with Dulles in a fair and just manner, which is in keeping with our basic American principles, and which can be done with the adoption of Congressman Friedel's proposal.

I am most appreciative of the opportunity to appear here today in support of Friendship and Mr. Friedel's bill and similar bills introduced by other Maryland members, and sincerely hope the members will act on it favorably.

Mr. FRIEDEL. Our next witness will be Mr. Halaby, the Administrator of the Federal Aviation Agency.

Mr. Halaby, I understand you have some representatives from your Agency with you. You may introduce them for the record.

STATEMENT OF HON. N. E. HALABY, ADMINISTRATOR, FEDERAL AVIATION AGENCY; ACCOMPANIED BY WARD HOBBS, DIRECTOR OF THE BUREAU OF NATIONAL CAPITAL AIRPORTS; ROBERT BACON, ACTING DEPUTY DIRECTOR OF THE BUREAU; NATHANIEL GOODRICH, GENERAL COUNSEL; AND ALAN DEAN, DEPUTY ADMINISTRATOR FOR ADMINISTRATION

Mr. HALABY. Mr. Chairman, I have with me the Director of the Bureau of National Capital Airports, Mr. Ward Hobbs, his Acting Deputy, Robert Bacon, Mr. Nathaniel Goodrich, the General Counsel of the Federal Aviation Agency, and Mr. Alan Dean, the Deputy Administrator for Administration. Depending on how much detail the committee wishes to entertain, they will join me at the witness table and testify.

Mr. FRIEDEL. Very well.

Mr. HALABY. Mr. Chairman, we appreciate this opportunity to be here again and to explain to you the reasons why we think the way we do on these bills.

I would join Mr. Devine in saying that Mr. Friedel has been most energetic and vigorous in fighting for what he believes is the public interest, and in particular the interest of Maryland and his district with respect to these airports.

There are actually four bills before the committee, three of which are identical and would create a Washington Airports Board and a fourth which would create a National Capital Airports Corporation.

I think that Mr. Hemphill and Mr. Devine have focused on the main issue before the committee, and that is how can the Federal Government best manage and operate its two multimillion-dollar airports which are in existence and are present facts, and create current problems with which the committee and the administration must deal.

The desirability of operating the airports of the Nation's Capital through a corporation has been widely recognized for many years. It is not, as some say, a legal fiction, and it is not a new idea.

As far back as 1949, the Hoover Commission proposed the incorporation of Washington National Airport. The Senate Commerce Committee in the 83d Congress unanimously supported this view and

reported favorably a corporation bill. The executive branch has consistently and repeatedly urged the establishment of an airport corporation. President Eisenhower, in his budget message for the 1955 fiscal year, stated that incorporating the Washington National Airport—

> will provide greater management flexibility to meet changing requirements and permit more businesslike operation.

The budget transmitted by President Kennedy for the 1964 fiscal year, has again recommended legislation—

> to establish a Federal corporation to consolidate the management of the Dulles and Washington National Airports and to place these essentially commercial operations on a business-type basis.

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The perisistent demand for a corporation, both from in and out of Government, is perhaps the best evidence of the validity of the need.

There is no question that these airports could with various amendments of existing legislation, continue in the future to be operated as they have been in the past. Nor do I doubt that they could be operated by an independent airports board. I am, however, convinced that only with a corporate form of organization will they be operated within a sound Government framework and with a maximum of efficiency and return on the money invested.

Congressman Hemphill was talking of the people's money and the people's business.

I do not believe that the Congress created these two airports for the purpose of competition with any other airport. I believe the Congress foresaw a need for these two airports in the public interest.

I also am firmly convinced, that Congress intended, and I take it as my duty, to operate the two airports with the maximum efficiency and the least cost.

We certainly have no one that I know of in the Federal Aviation Agency that has any kind of feeling or emotion or attitude of competition toward Friendship.

There has not, to my knowledge, been a single unfair, unjust, or even a competitive act on the part of anyone in the Federal Aviation Agency against Friendship.

The mere existence of Dulles Airport and its authorization way back in 1950 by the Congress of the United States is regarded by Baltimore as a threat to its airport. But there is no act or inaction that has been brought to my attention, to this moment, on my part or any member of the FAA, that has been against Friendship, or against any other airport.

Now, what I think we are for here is the traveler and the taxpayer, and finding out what is in the interest of the traveler and the taxpayer is both the problem of the Congress and this committee and the administration.

At the present time we are operating these two airports under two different legislative charters—the Washington National Airport Act of June 29, 1940, as amended, and the Second Washington Airport Act of September 7, 1950, as amended. Almost 13 years ago this threatening airport first appeared on the legislative horizon.

Neither of these acts even recognize that the Government is conducting a business-type operation through these airports. They pro-

vide no standards for setting rates and charges, no principle of economic self-sufficiency, no guide to sound business practice. In such matters as terms and conditions of contracts they are inconsistent.

Certainly, we can all agree that something is needed in the way of legislation if these airports are to be managed in a consistent and businesslike manner, if we are to convert Dulles from red ink to black ink within our lifetime.

I would like to enumerate the many reasons why we prefer the incorporation bill now before this committee:

1. By establishing a corporate-type budget which sets forth both revenues and expenditures, the bill assures that the true financial condition of the airports will be clearly set forth for the President, the Congress, and for the airport managers.

2. It provides for the use of revenues to defray the costs of airport operation and authorizes revolving fund financing.

Maybe, Mr. Chairman, this attitude formalized in legislation of profit and loss, of accountability, may be the most important feature of this corporation bill.

We try, under present legislation and policies, to bring this attitude into play.

But with congressional action on this, I believe the task would be made more binding, and the accountability clearer.

3. It permits rapid responses to changes in demands for services which can now be met only after long delay or by diverting funds from other urgently needed purposes.

4. It makes possible the immediate initiation of unanticipated repairs required in the interest of airport safety or economy.

5. It establishes for the first time a generally applicable congressional policy of self-sustaining operation for the airports.

6. It establishes a policy of fair and reasonable rates for services rendered users by the airports, protecting both the user's and the Government's interests.

7. By vesting management responsibility in a statutory officer, the general manager, it will free the Administrator of the Federal Aviation Agency from forced involvement in the day-to-day operation of the airports.

8. It creates a five-member advisory board empowered to advise the administrator and general manager concerning policies and operations, whose members are compensated only on their days of service and only if they come from private life.

And these advisers, Mr. Chairman, should be men and women who are dedicated to the traveler and the taxpayer, not one city or another city—but solely in the interests of those who are being served, and those who are paying for the airport.

9. It increases the authority of the management to enter into lease contracts which must now in many cases be restricted to 3 or 5 years. In so doing, it eliminates differences in leasing authority applicable to the two airports and thus the necessity of a separate bill now before this committee (H.R. 3127).

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11. It clearly establishes policies under which other Federal agencies, including the Department of Defense, may use the airports or space therein.

12. By crediting an amount equivalent to Federal aid to airport grants, it provides a reasonable and equitable basis for determining the capital base used in the establishment of user charges.

13. It provides authority to transfer certain access roads to State or Federal agencies under conditions which safeguard the interests of northern Virginia communities.

14. By permitting the Corporation to sue and be sued in its own name in conducting its business operations, it places parties dealing with the airports on more equal footing.

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16. It permits payments in lieu of taxes upon real property under specified conditions.

17. It will permit commercial-type audits by the General Accounting Office which are more appropriate for revenue-producing activities.

These advantages have more than a theoretical foundation. Most of them can be directly or indirectly related to cost and efficiency of operation. For example, we have had situations arise where the installation of parking meters costing approximately $7,000 would give us a potential annual revenue of $100,000. This revenue was lost, however, for a considerable period of time until funds could be obtained for this purpose. As a corporation, the meters could have been purchased out of the revenue. Similarly, we have experienced unanticipated increases in the use of electricity and heat by lessees which have forced us to postpone other activities for which we had obtained funds in order to pay our light and fuel bills. This results because the payments by lessees for heat, light, and power go directly to the Treasury and cannot be used to defray our purchases from utility companies and other suppliers. When revenues cannot be used to offset added costs, management is unnecessarily faced with the choice of preferring one operational improvement over another. Very often, proceeding with both would be in the best interests of the Government since both would more than pay their way.

In other words, the test is not will it pay its way. It is can we tap the Treasury. We feel that in this enviroment, the incentive to good management tends to be dissipated through frustration.

The flexibility afforded by incorporation would encourage good management by making it possible to improve both the services rendered by the airports and the income derived from those services.

Having noted these advantages, I would now like to comment on a few results which would not follow from incorporation of the airports. First, there would be no real lessening of congressional control. The Government Corporation Control Act requires that an annual budget be presented to the Congress. The Appropriations Committees have a full opportunity to review this budget and the program it proposes. They may place any limitations deemed desirable on the use of funds by the Corporation. Although when compared with the normal budget process this may be characterized as a negative rather than a positive veto, the committees gain a very significant advantage—their attention is directed to the ultimate impact on the Treasury of the program proposed.

Secondly, incorporation would not result in a grant of unfettered administrative authority. While contracting would be accomplished in a manner more responsive to business needs, it would, nevertheless, continue to be done in accordance with basic Government procurement practices. Personnel management would continue under civil service laws and regulations. The Corporation's affairs would remain subject to audit by the General Accounting Office and a report thereon to Congress.

Finally, incorporation would not adversely affect the interests of the users of the airport. Both the airport management and the airlines would have for the first time a clear legislative standard for development of rates and charges. The books of the Corporation would accurately reflect its financial condition; its budget would accurately reflect the consequences of its improvement programs. In this environment, all parties in interest could establish their relationships more intelligently and equitably.

I still do not know why there is opposition from the carriers to this bill.

It may be that putting the Corporation clearly and publicly on the record as a profit-and-loss enterprise is considered as a potential source of increased user charges. I submit that a businesslike operation by businessmen in a business environment is not a threat to these private enterprise companies. And I hope that when the carriers come before you, you will ascertain their problems with this bill, and in particular to ask them to choose between this bill and other bills that have been offered.

Now, that is my case for the incorporation bill, Mr. Chairman.

Turning now to H.R. 2081, H.R. 3328, and H.R. 3406, identical bills creating a Washington Airports Board, I must first state that the Bureau of the Budget has advised me that enactment of these measures would be inconsistent with the objectives of this administration. I would like to review some of the factors which lead to this position on the part of the administration.

I must say on a personal basis, Mr. Chairman, I sought out the views of the Bureau of the Budget, lest someone feel that I had some personal desire, or even that we had a bureaucratic desire to hold on to these airports.

And, therefore, the Bureau of the Budget, being the central clearinghouse of the Government has taken this position, and these points I am about to make are the points of the administration, not my personal views.

The most immediate consequence of this bill is the creation of still another independent agency of Government; and it seems to us that another independent agency in the aviation business would be the last thing the Government should want. Viewed in any manner, the structure of a new agency saddles the airports with a much higher administrative overhead, including for the salary of Board members alone, $100,500 per year. Inevitably following would be the creation of small staffs here and there to provide clerical services or technical expertness now available in the Federal Aviation Agency.

More importantly, the creation of a new agency would further complicate the job of the Congress and the President in assuring efficient and effective management of the airports. Normally, Congress turns to the board- or commission-type organization only when it is vesting

quasi-judicial or regulatory functions in an agency. In this case, when the sole mission of the agency would be to operate a Government enterprise, the case for a single executive is especially strong. The concept of a single executive is universally favored where quick and decisive action is essential to success.

I have often wondered if one of your distinguished fellow citizens, Mr. Crane, an industrial executive, if he were chairman of such a board, how he would organize. And I suspect that he might very well organize as he would in a corporation to get the maximum efficiency. And I believe the result would be a single executive charged clearly with responsibility for the people's money and with the people's business on his back.

I doubt that we would set up, within a board, the representatives of two conflicting communities to thrash out for a business operation policies and procedures and expect from that a greater savings and more efficient operation.

I think that while creating another agency with the inherent deficiencies of board management, H.R. 2081 provides for none of the managerial and operational needs which justify incorporation. The Board would come into existence with a legislative charter offering nothing more than the existing and clearly inadequate management tools.

I would, in closing, like to mention the charge that has been made repeatedly to whoever occupies the seat of the Federal Aviation Administrator—namely, that he is involved in a conflict of interest.

This is alleged to exist in the various roles of the Administrator. Being charged with regulating air commerce to promote its development and insure its safety, it is argued that he cannot at the same time impartially operate Federal airports in competition with other airports in the same area. I have tried to make it clear that we do not consider this a competition between Dulles and Friendship. We believe that there is going to be a need for both airports—albeit, the Congress anticipated them, just as the leaders of Baltimore anticipated Friendship well in advance of the immediate need. I think our record will show our belief in Friendship Airport as a desirable and important part of the national system of airports.

In fact, I think if you observe the Federal grants in aid to Friendship over the years, as recently as the current year, you will see that there is no use made of the Federal Airport Act or the Federal Aviation Act to compete unjustly with Friendship.

I guess as an individual public servant I feel the charge is made rather loosely. And I have not yet had a bill of particulars. In fact, not a single count of the indictment of unfair or unjust competition has been issued. And perhaps the committee will want to explore in what respect there has been unfair or unjust competition as has been stated this morning.

Mr. FRIEDEL. Mr. Halaby, I have made that statement because of the statement you made, or you are supposed to have made. Now, I have repeated it—not loosely—just because you made the statement. I can read it right now. And if you can tell me why I shouldn't feel that way I would be glad to hear your reasons. I would just like to read it right now.

Mr. HALABY. I can tell you—you are quoting from the Aviation Daily, Mr. Chairman. What I am trying to distinguish here is be-

tween words and action, and between what I said and what I didn't say.

If someone would cite an action we have taken, a movement, a measure, that has been unfair or unjust, then I would either plead guilty or defend the action.

Mr. FRIEDEL. Here is what you are supposed to have said in December 1961—they reported this statement, made by the Administrator of the FAA.

> The carriers are trying to treat me just like any other airport owner, and they won't get away with it. This is a threat to them. If they don't come to me within 2 weeks, we will lay the terminal out ourselves, and that will be it.

Now, I ask you gentlemen, could any other airport owner in the country get away with this kind of a statement?

You never denied the statement was made.

Mr. HALABY. Yes; I did deny I made that statement. We had this colloquy last year almost exactly the same, Mr. Chairman. I would be glad to read from the record. I questioned whether or not you had always been quoted accurately, and you confessed on possibly one or two occasions you had not. And I said I had not.

But I did mean the essence of that, Mr. Chairman, and I told you so last year. And I will bet you that every airport landlord who has ever had to deal with the air carriers has had to get down to very tough language to come to terms. This is characteristic of that kind of negotiation. They had to do it at Baltimore. They had to do it at Chicago. And the average time to negotiate an agreement with the air carriers is in the order of 18 months to 2 years. And this is because it is a wearing kind of process.

What I was trying to tell the carriers was that we were not running a handout operation, and that we were not going to be subject to further delays merely for foot-dragging purposes, we wanted to come to terms.

The interesting thing is it had the effect of reaching an agreement that is in the interests of the taxpayer and the traveler.

Mr. FRIEDEL. Mr. Halaby—let's see where you and I differ.

I was originally opposed to building Dulles. It is on our hands now. But when they testified and got Congress to agree to build another airport, they were anticipating by 1962 or 1963 that we would need three airfields. They were wrong in their judgment. Now, just because they were wrong, does that give you a right to say, "Look, fellows, I have this white elephant on my hands, help me out. You have got to rent space here at the expense of Friendship." That is the point I am trying to get over.

I can understand that eventually we will need it. But until then it should not be used at the expense of the traveling public, not at the expense of the airlines, and not at the expense of Friendship.

I understand 40 percent of the jet flights were taken out of Friendship since last November. I understand one came back. I understand another one is coming back to Friendship.

We have picked up some piston flights, and I think we have lost overall about 19 percent.

The point I am getting at is this. Congress was wrong in their judgment at that time. Please don't force Balitmore to be the goat. We have lost money. We planned our airport a long time ago. We lost money for 9 straight years. Don't expect Dulles to get out in

1 or 2 years or 3 years. It is going to take them longer than that. And that is the point I am trying to get over.

Mr. HALABY. Mr. Chairman, I fully appreciate that point. And it was said earlier this morning that we were coercing the carriers, that we had forced them to divert flights.

What I am asking the committee to ascertain is if there is any action, any measure, any rule that we have taken that has coerced or forced the carriers to come in. There is a feeling that because there is another job to be done in the Federal Aviation Agency, namely, regulating the airworthiness of airplanes, the operating procedures of air carriers, somehow we are using that function to force flights out of Friendship into Dulles.

I can only tell you that I know of no such use of any such power. And I am sure that if it were attempted to be used, this committee, the Congress, and the press would be on it within seconds.

Mr. FRIEDEL. Mr. Halaby, I do not know of one specific instance. But I can add two and two. I know one airline has been losing money, and by going to Dulles, it is going to make them lose another million dollars more than they have been losing.

Now, I can't see a good businessman wanting to lose another million dollars when they are already losing money.

Now, I don't say that you did anything specific. But they are under the impression that if they don't go there, they will be in bad with the FAA and the CAB.

Mr. HALABY. If they would just explain what punishment there will be for not following the public to Dulles——

Mr. FRIEDEL. Are you saying that an airline is losing money, and knowing they are going to lose another million more, will go to Dulles voluntarily?

Mr. HALABY. If there is an airline that will lose a million dollars by transferring to Dulles, then the management and the board of directors I think would take a pretty hard look at the transition.

The point, Mr. Chairman, is that the Congress authorized and developed Dulles. I could easily say I didn't have anything to do with this and duck it on the grounds that it was inherited. But I am not going to do that. The Congress legislated a new Washington International Airport into existence. The past administration located it where it did. It is there. And, therefore, the problem is to be solved and not fought—the problem is what to do with it.

Now, I—and Mr. Hobbs, who is in charge of these airports—will be negotiating with the carriers to come in there on terms favorable to them and the Government. We will publicize the airport as the one serving Washington, which it is—so decreed by Congress. The dynamics of that situation will draw traffic away from Friendship. It is the airport to serve Washington. And the temporary advantage Baltimore had because jets could not fit into Washington National Airport has ended. Those are all facts of national and community life.

So that is one thing.

But to say that we are using other powers to coerce or be unjust or unfair, I emphatically disagree and deny that.

Mr. FRIEDEL. Mr. Halaby, I don't know how to explain it. But the only two airports in the whole United States you run are Washington National and Chantilly.

Mr. HALABY. No sir. There are about 16 of them up in Alaska, and there are several in the Pacific that the Federal Aviation Agency also runs. We do not enjoy running airports, I can assure you. But that is a duty Congress gave us.

Mr. FRIEDEL. The only two airports that you run in the United States. Now, of course, Alaska is a new State. I didn't know about Alaska, and maybe some of these islands. But in the continental United States, the only two airports you own, operate, and regulate are Washington National and Dulles.

If you go back to the figures some time ago, before you were Administrator, Washington National was overcrowded, and everyone told them it was overcrowded that know anything about flying. Friendship was dying on its feet. They wouldn't divert traffic over there, because the FAA had control of Washington National. That was before you came. But that is what happened. And the same thing is happening now.

I think there will be a need for three airports. But don't force people to use Dulles at the expense of Friendship. And Friendship is supposed to be an international airport for Washington and Baltimore. You just keep saying Dulles is for Washingtonians. Friendship is for Washington and Baltimore. That is what it was designated at the beginning.

Mr. HALABY. Mr. Chairman, it occurs to me in a sense the Federal Aviation Agency diverted traffic to Friendship airport, and gave it this great surge of traffic in the first 3 years of the jet age. If the Federal Aviation Administrator had wished to hurt, to be unjust to Friendship, he would have built up Washington National as a jet airport, and monopolized all the traffic. He didn't do that, sir. He refused the jets in there because Washington National is not built, designed, or set up for jet traffic. Therefore, the Congress built a new airport, in its wisdom. But if anything, he helped Baltimore by diverting traffic. He didn't hurt it.

Mr. FRIEDEL. Friendship was one of the few airports in the United States which could accommodate jets then. Idlewild couldn't handle certain jetplanes. There had not been a jetplane flown to the United States that has not landed in Friendship, when they could not land any other place on the east coast.

Mr. HALABY. It is a very fine airport. Proof of that in action is the number of grants we have made, the number of people we have employed there, and that there is not one instance that anyone has cited or can cite in my judgment where we have taken any action detrimental to Baltimore, except that the Congress established a new airport out in Virginia.

Mr. FRIEDEL. The purpose of my bill is to take the operation away from FAA. Your bill makes you head of a corporation. If it were a corporation that the FAA had nothing to do with it, it might be a different thing. That is why I ask for an independent board so you would have no control of that, none whatsoever other than the safety. In safety you are doing a world of good. We were up in Atlantic City and saw what the FAA is doing, and it should be publicized more what you are doing for safety. I was amazed at the things we saw—this glide scope, the lighting system you have, your testing on recorder devices. They were wonderful things. That is the thing I think you should be interested in all the time—not worry about a concession,

or a hotdog stand, or a restaurant, or a hangar. Those things should be the concern of a separate board.

Mr. HALABY. Mr. Chairman, this bill proposes the halfway position.

Your bill would go all the way and put it in a new, independent agency.

Mr. FRIEDEL. I just want to divorce you from it.

Mr. HALABY. This bill divorces it as far as is functionally and economically efficient from the Federal Aviation Administrator. And it sets up a general manager, a statutory officer.

Now, you can go all the way over. If that is the decision of Congress, we will of course conform to it.

But what I am trying to get at is there hasn't been any unjust, unfair treatment or competition. If anything my Agency has helped the fine men who have put so much of their time and energy into making this a great airport—has helped them by Federal grants, by putting people in the tower, by putting the latest facilities in there. It is one of the best airports in the world.

But don't forget, sir, that we have a regulated free enterprise air carrier system in this country. And it is our attempt to keep it as free as possible.

Neither Mr. Boyd nor Mr. Halaby, nor anyone on the Board or in the FAA can tell the carriers to move from Friendship to Dulles. There is no authority to do it.

Mr. FRIEDEL. Who does tell the air carriers. There is one jet flight from Friendship to Miami, Fla., and all they assigned for Baltimore City is four seats on that plane. Now, that is crazy. And who lets them get away with that, I don't know. Sometimes we have a waiting list but we can't get on that plane. So we have to go to Dulles. You can get a good flight out of Dulles, or Washington National. But out of Friendship one jet flight, and only four seats on that plane. Now, when we return to Friendship. You know what time you have to leave Miami—2:45 a.m., and get there at 5. That is the only jet flight returning.

Mr. HEMPHILL. If the gentleman wants to get off on service, I will be happy to join him, because I have some complaints myself.

Mr. FRIEDEL. There is something wrong somewhere. I don't know who is doing that but there is something wrong.

Mr. HALABY. If the city of Baltimore asked me for any advice, and I am sure I am the last one they would ask, the great effort and ingenuity and energy that they have could well be put into generating new traffic from the citizens of Baltimore and those from the surrounding areas, so that the demand for traffic close into Friendship will be so great that the carriers, to make a profit, will provide more service. Well, we have been through this before.

Mr. FRIEDEL. Mr. Halaby, I can assure you they are doing that, and spending a lot of money each year to generate new business. And we cannot get adequate service out of Friendship.

Mr. HALABY. Well, sir, just to finish on this point of unfair competition, I ask, What can the Administrator, as operator of the two Washington airports, in theory, do to divert operations from Friendship to Dulles? He cannot prevent aircraft from landing at Friendship. He cannot exercise the powers of the Civil Aeronautics Board and declare Dulles the airport to provide service to Baltimore. He

cannot revoke air carrier operating certificates for failure to use Dulles. Properly exercising his duties, he can do nothing in an official capacity to coerce the transfer of operations from one airport to another. Even were we to assume an improper exercise of authority, I can think of no way in which this result could be achieved.

Are there any practical means by which the Administrator could use his position to prejudice Friendship? The only conceivable one that occurs to me is through his administration of the Federal Airport Act. To set at rest any fears on this score, I think we need only look at the record. Since 1948, Friendship has received 16 Federal airport grants totaling $4,872,052. Eleven of those grants, totaling $2,674,212, were received since 1950 when the second airport was authorized. Since construction was started at Dulles in 1958, Friendship has received five of those grants totaling $1,782,957. Since Dulles opened last November, we have tentatively allocated $365,500 to Friendship and a grant of the money awaits only receipt of the project application. A comparison of Friendship with other airports of similar traffic volume, and serving cities of comparable size will reveal that it is also comparable in its receipt of Federal funds.

I think this is a tribute to the ingenuity and worthwhileness of that airport, and the Congressmen and Senators who have been working to develop it. If anything, there might be some criticism for granting too much too soon to both of these airports. For that, I can only say we believe we are promoting and developing air commerce in the United States through making these airports as safe and as convenient as possible.

I believe, Mr. Chairman, that I should close by pointing out that we are interested in the development of all airports needed for an efficient and safe American air transportation industry.

We have that responsibility of fostering civil aeronautics by law. The fact that we do it in several different ways requires us to consider what is good for Friendship Airport as well as Washington National Airport, as well as Dulles International Airport. And we believe that we have to face the facts of life.

Dulles International Airport is a reality. While some might argue that it was not needed at this instant in time, there can be no doubt as to its ultimated need or the fact that it is now in operation. Although I appreciate the concern of those who believe that Dulles will detract from the use of Friendship, I am convinced that this is a short-term problem. In the long run, aviation service in the Washington-Baltimore area will require the three airports. I would urge the committee not to allow the present understandable anxieties of our Maryland citizens to defeat a sound management arrangement for the Washington airports. The corporation is required for valid operational reasons having no effect whatsoever upon Friendship International Airport. If Dulles International Airport poses a threat to Friendship, the enactment of H.R. 2081 would not lessen that threat. Conversely, incorporation of the airports would not intensify it.

I earnestly urge the committee's favorable consideration of H.R. 826.

(The statement of Mr. Halaby follows:)

STATEMENT BY HON. N. E. HALABY, ADMINISTRATOR, FEDERAL AVIATION AGENCY

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to testify on H.R. 826, a bill to incorporate the Washington National and Dulles International Airports, and H.R. 2081, H.R. 3328, and H.R. 3406, identical bills

which would create a Washington Airports Board. The paramount issue posed by these bills is this—how can the Federal Government best manage and operate its two multimillion-dollar airports?

The desirabiilty of operating the airports of the Nation's Capital through a corporation has been widely recognized for many years. As far back as 1949, the Hoover Commission proposed the incorporation of Washington National Airport. The Senate Commerce Committee in the 83d Congress unanimously supported this view and reported favorably a corporation bill. The exectuive branch has consistently and repeatedly urged the establishment of an airport corporation. President Eisenhower, in his budget message for the 1955 fiscal year, stated that incorporating the Washington National Airport "will provide greater management flexibility to meet changing requirements and permit more businesslike operation." The budget transmitted by President Kennedy for the 1964 fiscal year, has again recommended legislation "to establish a Federal corporation to consolidate the management of the Dulles and Washington National Airports and to place these essentially commercial operations on a business-type basis."

The persistent demand for a corporation, both from in and out of Government, is perhaps the best evidence of the validity of the need. There is no question that these airports could, with various amendments of existing legislation, continue in the future to be operated as they have been in the past. Nor do I doubt that they could be operated by an independent airports board. I am, however, convinced that only with a corporate form of organization will they be operated within a sound Government framework and with a maximum of efficiency and return on the money invested.

At the present time we are operating these two airports under two different legislative charters—the Washington National Airport Act of June 29, 1940, as amended, and the Second Washington Airport Act of September 7, 1950, as amended. Neither of these acts even recognize that the Government is conducting a business-type operation through these airports. They provide no standards for setting rates and charges, no principle of economic self-sufficiency, no guide to sound business practice. In such matters as terms and conditions of contracts they are inconsistent.

Certainly, we can all agree that something is needed in the way of legislation if these airports are to be managed in a consistent and businesslike manner. I would like to enumerate the many reasons why we prefer the incorporation bill now before this committee:

1. By establishing a corporate-type budget which sets forth both revenues and expenditures, the bill assures that the true financial condition of the airports will be clearly set forth for the President, the Congress, and for the airport managers.

2. It provides for the use of revenues to defray the costs of airport operation and authorizes revolving fund financing.

3. It permits rapid responses to changes in demands for services which can now be met only after long delay or by diverting funds from other urgently needed purposes.

4. It makes possible the immediate initiation of unanticipated repairs required in the interest of airport safety or economy.

5. It establishes for the first time a generally applicable congressional policy of self-sustaining operation for the airports.

6. It establishes a policy of fair and reasonable rates for services rendered users by the airports, protecting both the user's and the Government's interests.

7. By vesting management responsibility in a statutory officer, the General Manager, it will free the Administrator of the Federal Aviation Agency from involvement in the day-to-day operation of the airports.

8. It creates a five-member advisory board empowered to advise the Administrator and General Manager concerning policies and operations, whose members are compensated only on their days of service and only if they come from private life.

9. It increases the authority of the management to enter into lease contracts which must now in many cases be restricted to 3 or 5 years. In so doing, it eliminates differences in leasing authority applicable to the two airports and thus the necessity of a separate bill now before this committee (H.R. 3127).

10. It authorizes lease arrangements with concessionaires permitting them to repair and improve their facilities, thus obviating the need for another bill now before this committee (H.R. 3126).

11. It clearly establishes policies under which other Federal agencies, including the Department of Defense, may use the airports or space therein.

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12. By crediting an amount equivalent to Federal aid to airport grants, it provides a reasonable and equitable basis for determining the capital base used in the establishment of user charges.

13. It provides authority to transfer certain access roads to State or Federal agencies under conditions which safeguard the interests of northern Virginia communities.

14. By permitting the Corporation to sue and be sued in its own name in conducting its business operations, it places parties dealing with the airports on more equal footing.

15. It permits the Corporation to receive gifts or donations of property and services and utilize them in support of the airports.

16. It permits payments in lieu of taxes upon real property under specified conditions.

17. It will permit commercial-type audits by the General Accounting Office which are more appropriate for revenue-producing activities.

These advantages have more than a theoretical foundation. Most of them can be directly or indirectly related to cost and efficiency of operation. For example, we have had situations arise where the installation of parking meters costing approximately $7,000 would give us a potential annual revenue of $100,000. This revenue was lost, however, for a considerable period of time until funds could be obtained for this purpose. As a corporation, the meters could have been purchased out of the revenue. Similarly, we have experienced unanticipated increases in the use of electricity and heat by lessees which have forced us to postpone other activities for which we had obtained funds in order to pay our light and fuel bills. This results because the payments by lessees for heat, light, and power go directly to the Treasury and cannot be used to defray our purchases from utility companies and other suppliers. When revenues cannot be used to offset added costs, management is unnecessarily faced with the choice of preferring one operational improvement over another. Very often, proceeding with both would be in the best interests of the Government since both would more than pay their way. In this environment, the incentive to good management tends to be dissipated through frustration. The flexibility afforded by incorporation would encourage good management by making it possible to improve both the services rendered by the airports and the income derived from those services.

Having noted these advantages, I would now like to comment on a few results which would not follow from incorporation of the airports. First, there would be no lessening of congressional control. The Government Corporation Control Act requires that an annual budget be presented to the Congress. The Appropriations Committees have a full opportunity to review this budget and the program it proposes. They may place any limitations deemed desirable on the use of funds by the Corporation. Although when compared with the normal budget process this may be characterized as a negative rather than a positive veto, the committees gain a very significant advantage—their attention is directed to the ultimate impact on the Treasury of the program proposed.

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Finally, incorporation would not adversely affect the interests of the users of the airport. Both the airport management and the airlines would have for the first time a clear legislative standard for development of rates and charges. The books of the Corporation would accurately reflect its financial condition; its budget would accurately reflect the consequences of its improvement programs. In this environment, all parties in interest could establish their relationships more intelligently and equitably.

This is my case in behalf of the corporation bill.

Turning now to H.R. 2081, H.R. 3328, and H.R. 3406, identical bills creating a Washington Airports Board, I must first state that the Bureau of the Budget has advised me that enactment of these measures would be inconsistent with the objectives of this administration. I would like to review some of the factors which lead to this position on the part of the administration.

The most immediate consequence of this bill is the creation of still another independent agency of Government; and it seems to us that another independent

agency in the aviation business would be the last thing the Government should want. Viewed in any manner, the structure of a new agency saddles the airports with a much higher administrative overhead, including for the salary of Board members alone, $100,500 per year. Inevitably following would be the creation of small staffs here and there to provide clerical services or technical expertness now available in the Federal Aviation Agency.

More importantly, the creation of a new agency would further complicate the job of the Congress and the President in assuring efficient and effective management of the airports. Normally, Congress turns to the board- or commission-type organization only when it is vesting quasi-judicial or regulatory functions in an agency. In this case, when the sole mission of the agency would be to operate a Government enterprise, the case for a single executive is especially strong. The concept of a single executive is universally favored where quick and decisive action is essential to success.

While creating another agency with the inherent deficiencies of board management, H.R. 2081 provides for none of the managerial and operational needs which justify incorporation. The Board would come into existence with a legislative charter offering nothing more than the existing and clearly inadequate management tools.

I would in closing like to mention the conflict of interest alleged to exist in the roles of the Administrator. Being charged with regulating air commerce, to promote its development, and insure its safety, it is argued that he cannot at the same time impartially operate Federal airports in competition with other airports in the same area. I do not believe such a conflict exists either in theory or in practice. What can the Administrator, as operator of the two Washington airports, in theory do to divert operations from Friendship to Dulles? He cannot prevent aircraft from landing at Friendship. He cannot exercise the powers of the Civil Aeronautics Board and declare Dulles the airport to provide service to Baltimore. He cannot revoke air carriers operating certificates for failure to use Dulles. Properly exercising his duties, he can do nothing in an official capacity to coerce the transfer of operations from one airport to another. Even were we to assume an improper exercise of authority, I can think of no way in which this result could be achieved.

Are there any practical means by which the Administrator could use his position to prejudice Friendship? The only conceivable one that occurs to me is through his administration of the Federal Airport Act. To set at rest any fears on this score, I think we need only look at the record. Since 1948, Friendship has received 16 Federal airport grants totaling $4,872,052. Eleven of those grants, totaling $2,674,212, were received since 1950 when the second airport was authorized. Since construction was started at Dulles in 1958, Friendship has received five of those grants totaling $1,782,957. Since Dulles opened last November, we have tentatively allocated $365,500 to Friendship and a grant of the money awaits only receipt of the project application. A comparison of Friendship with other airports of similar traffic volume, and serving cities of comparable size will reveal that it is also comparable in its receipt of Federal funds.

If there is a conflict of interest confronting the Administrator which would lead him to thwart the development of Friendship, it would not appear to manifest itself in the Federal aid-to-airport program.

As one interested in fostering all sound airport development I would much prefer an arrangement under which Washington's two airports would be operated by an agency having a total concern for the fostering of civil aeronautics throughout our Nation than by a Washington Airports Board whose sole concern was to maximize the use and revenues of the airports which it operated. I would suggest that the true interests of the Administrator of the Federal Aviation Agency augurs well for Friendship Airport. I further suggest that an independent board might be likely to engender destructive rivalry with Friendship.

The basic and enduring responsibility of the Administrator is to foster civil aeronautcs by assuring safety and efficiency in aviation. He is to do this through certificating airmen and aircraft, regulating the operation of aircraft, establishing an air traffic system, allocating the use of the airspoce, and developing a national system of airports. Viewed in this perspective, the operation of the Washington National and Dulles International Airports is a secondary part of his job. Unlike an airports board, when he asks what is good for these two airports, he must necessarily consider what is good for Friendship Airport, other airports, and civil aviation in general. I submit that it is in the interest of the

Congress, the President, Washington, Baltimore, and all aviation interests that this kind of "conflict of interest" continue.

Dulles International Airport is a reality. While some might argue that it was not needed at this instant in time, there can be no doubt as to its ultimate need or the fact that it is now in operation. Although I appreciate the concern of those who believe that Dulles will detract from the use of Friendship, I am convinced that this is a short-term problem. In the long run, aviation service in the Washington-Baltimore area will require the three airports. I would urge the committee not to allow the present understandable anxieties of our Maryland citizens to defeat a sound management arrangement for the Washington airports. The corporation is required for valid operational reasons having no effect whatsoever upon Friendship International Airport. If Dulles International Airport poses a threat to Friendship, the enactment of H.R. 2081 would not lessen that threat. Conversely, incorporation of the airports would not intensify it.

I earnestly urge the committee's favorable consideration of H.R. 826.

Mr. FRIEDEL. Mr. Halaby, I just want to make this clear. I hold you in the highest esteem. In everything I have said, there is nothing personal. I understand your anxiety to make Dulles pay. And that is where we differ.

You had this white elephant dumped on your lap, you had nothing to do with it. And you want to make it pay. And you refer to it over and over again that the corporation would look at the profit and loss.

Mr. HALABY. Yes.

Mr. FRIEDEL. Because the Congress was misinformed about when it would need three airports, why do you try to make a profit at the expense of Friendship? That is the point I am trying to get over.

Another thing is that you make a statement December 4, 1962:

We don't in the FAA run but two airports in the United States, and those are Washington National and Dulles International. And we are not too eager to run those two in case anyone has any doubts about that I can reassure him at that point.

This is your statement on December 4.

Would you object if a corporation was set up separate from the FAA?

Mr. HALABY. We are proposing that we separate it from the Federal Aviation Administrator as much as we can, while holding to Government economy of its resources. Now, if I can go back 1 second—I got quite a bit of criticism from our distinguished State of Alaska, when I said we were only operating 2 airports, when in fact we are operating about 16 up there. And I did misspeak for the record. We do operate other airports.

I had not spoken for all 50 States as I should have.

Secondly, I believe the Appropriations Committee, as well as this committee, would hold me responsible for reducing the drain on the taxpayer through the operation of these two Federal airports. And they would judge me, and I would judge my staff, in terms of how well we reduced the drain on the Federal taxpayer for the benefit of the airlines and the air travelers.

Air travelers are only about one-tenth of our population. And therefore I believe you are holding me responsible to operate in the black. I don't think you want me to make a profit. But I do think you want me, as administrator of these two airports, to at least reduce the drain to the bare minimum on the Federal taxpayer.

Now, I am doing the best I can. In getting the landing fees that will get Dulles into the black within 30 years, which is the mandate

from the Appropriations Committee, I have had to charge twice as much for landing fees as Baltimore. That is not unfair competition. It would seem to me that that would be about the fairest break that they could get. They can offer to carriers for half the price the same landing on the same kind of concrete.

And even when they charge that high rate, Mr. Chairman, it will be many, many years before we recover both our costs and interest and depreciation. And it will be at least 15 years before we can get into the black, and at least 25 to 30 years before we can recover this huge investment.

So unless you want me to operate a losing proposition deliberately, as a kind of hidden subsidy to the carriers, and to the air travelers, I have to put it on a profit and loss basis.

Mr. FRIEDEL. Mr. Hemphill.

Mr. HEMPHILL. Thank you, Mr. Chairman.

I want to say to you I think you have made a wonderful statement. I salute the fact that you met the problem head on. I don't know whether it has much application to what we are trying to do here. I want to say as a Member of Congress I have admired the manner in which you have administered your duties. I think you have helped aviation. And I want to salute what you have done for general aviation, because you certainly brought it out into focus where it should have been for some years.

I am mighty happy, because I have had an interest in that personally.

Mr. HALABY. I thank you, because I know you were an Air Corps bomber pilot in World War II, I know you still fly in general aviation. And your saying that is of particular satisfaction to us in the Agency.

I also understand congratulations are in order, that you are now—you have been promoted to colonel in the Air Force. Since I am a lieutenant in the Navy, I would like to respond with a compliment.

Mr. HEMPHILL. Thank you. I might ask you something. If we are going to sell this legislation to the House eventually, I think there are certain things in its favor more than others.

As I understand it, you propose to set up a separate corporation, and the governing body of that corporation directly will be a five-man advisory board, terms of 5 years each, staggered. Is that right, sir.

Mr. HALABY. The use of the word "governing" I guess I would have to clarify. It is much more of an advisory than a governing board.

I wouldn't want the committee to be under any illusions about this. It is contemplated that five citizens representing the traveler and the taxpayer—not Washington or Baltimore, or the air carriers, or the pilots, or any special group—who are there as watchdogs, would be much more like an advisory board than a board of directors of a corporation, sir.

Mr. HEMPHILL. And the reason that you would have it under direction, I believe the bill says—subject to the direction of the Administrator, because of the very heavy investment of the Federal Government?

Mr. HALABY. Yes sir—and because you have here in Washington some 3,500 FAA employees who are expert, trained, knowledgeable, about all aspects of airports and their operations.

The lawyers, the doctors, all of the supporting people are right here, already in place, in the Federal Aviation Agency. They pre-

sumably would be duplicated to some extent if you set up a completely independent organization.

Mr. HEMPHILL. Now, on pages 2 and 3, items 1 and 2, the reasoning that you set forth so specifically in your statement—as I understand it, you have set up a budget of receipts and expenditures, you would have some cost ascertainment which you do not now have?

Mr. HALABY. We attempt, under present legislation, to go as far in that direction as we can.

We are not required to, nor is it formally accepted by the Congress, or anyone else.

As you, I am sure, realize there are many Government corporations now in existence. From many, many years past, they have been set up under specific authority of the Government Corporation Control Act.

Some of those active Government Corporations are Commodity Credit, Development Loan Fund, Export-Import Bank, Federal Crop Insurance, Federal Housing Administration, Federal National Mortgage Association, and a host of others. And they are set up where the nature of the Government business is operational—business-type operation. And these are all well established, well presented before the various committees of Congress. And the requirements of the act which we would have imposed upon those running the airport include a corporation-type budget, and a profit-and-loss type of statement.

Mr. HEMPHILL. Thank you.

Now, in item 3 of the reasons, you say permit responses to change. As I understand it your objective there is to set up this manager as a person who can make an immediate decision.

Mr. HALABY. Yes, sir. And he also can take some of the revenues and make a repair or a change in his operation that will add to the revenues. And he is not completely tied down by the appropriation of the previous year which had been developed as much as 18 months before the need arose. So he has more flexibility in meeting the demands of the public at that airport.

Mr. HEMPHILL. And the Federal Aviation Administrator would still have the responsibility of setting forth policy in keeping with the statutes that Congress passed.

Mr. HALABY. The Congress would state very broad policy, and within that the Administrator would have to oversee the statutory General Manager. But he would, under the law, delegate to the statutory officer the maximum amount of authority available, and then would hold him accountable for both revenues and costs and operations.

Mr. HEMPHILL. Thank you.

Now, jumping to 13, on page 4—I am not going to ask you in general for an answer, but I would like to express to you my hope that when you use the term there "under conditions which safeguard the interests of northern Virginia communities," that we would also keep in mind the purpose of getting to and from the airport, which I think is a major obstruction in the use of either Friendship or Dulles from Washington. I don't know how long it is going to continue to be an obstruction. Certainly I intend to back whatever position is taken on the access roads by the administration.

Mr. HALABY. We are very appreciative of this point, because you are stating the intent of Congress as we have read it.

We have been before the Appropriations Committee many, many years now, my predecessor and I, and have explained very carefully this was a national kind of air road that was not a regular highway, it was not a commuter highway—it was a national road into the sky. And I take it from what that committee has told me, and I believe it reflects the Congress intention—because there has been no exception to it on the floor when the appropriations bill, together with the legislative history, had come up—I take it to mean they meant it when they appropriated $19 million for a special single-purpose access road to the airport.

Mr. FRIEDEL. Is that in addition to the $106 million?

Mr. HALABY. That is part of the $106 million, sir.

But let me give you a specific problem we had.

If the Congress meant it, and told me what to do, then I have the problem of enforcing this. And at the moment, people are coming off the roads that were there before the airport came in—and of course they have underpasses or overpasses—they are coming off the roads, on to the access way, and then at the first moment that no one is looking, they make a 180 across the grass divider, and then commute into Washington.

Now, you made the point that once people start this habit of using this highway, there will be no way that Congress or I or anyone else could break these pathways and these habitual ways of commuting.

Now, should I just let them do that? Should I just go ahead and replant the grass, and smooth over the ruts they dig? Or should I put up a chain fence there?

I take it the will of Congress was that this not be used for commuting, that there not be a violation of the design of the highway, and as a result we have put up chain fences.

I take it if this is violated and there is a trespass, that the Congress wishes that we enforce the regulations for the use of that highway. This will be very hard to do and it is very difficult for the commuters there. It is even worse for the developers who want to build all along that highway and treble the value of their properties by having rapid access to the city. I recognize that retaining a limited access highway is onerous and unpleasant and unpopular. But I understand that to be the will of Congress and, until I am told otherwise, that is the way we will do it.

Mr. HEMPHILL. I certainly agree with you.

I have one more question, sir.

I was happy to hear you say that something is needed, and that this legislation is the evidence of your ambition to conduct the operation in a businesslike manner.

Now, would there be some—I am sure there would be a report to the Appropriations Committee, if not directly upon request, at the time you came up any given year for appropriations in connection with your Agency.

But would there be any sort of report itself through your Agency or otherwise made to, say, this committee as to the profit and loss through the years. Would you anticipate that?

Mr. HALABY. We would be glad to do that—either have it written into the act, or by agreement of the Agency.

I believe there will be members of the Appropriations Committee who will have opposition to this bill on the ground that they feel that

any Government corporation reduces the specific detailed appropriations control they have over the funds.

For example, they would feel that if the revenues went back to cover the costs, it would permit too much flexibility. They would also feel that if we could move funds from one airport to the other, it would permit too much flexibility, and that there should be an annual pinpoint control.

But they have not felt that way about 14 corporations actively doing business, many of them at breakeven or a profit for the people's business.

And so we would anticipate going before the Appropriations Committee, as we do now, presenting all of the facts and being subject to all the limitations in the appropriations bill. But having the authority, within whatever limitations they prescribe, we would treat this like a business rather than a bureaucracy.

Mr. HEMPHILL. I think the answer to that would be that none of us see any objection to running it in a businesslike manner or making a profit.

Thank you, Mr. Chairman.

Mr. FRIEDEL. Mr. Devine.

Mr. DEVINE. Mr. Halaby, I would agree with the gentleman from South Carolina.

Do you feel, however, Mr. Halaby, that in absence of the passage of any of this legislation you could not operate in a businesslike manner out there?

Mr. HALABY. No, I don't, Mr. Devine. As I said at the outset, we can operate it the way it now is set up. We can operate it under this proposed administration corporation bill. It could be operated under a Washington Airports Board.

Mr. DEVINE. You can live without this legislation.

Mr. HALABY. Any one of the three ways or variations of it will work. I am just saying that based upon the Hoover Commission, President Eisenhower's proposal, the Bureau of the Budget, this administration, and my 2 years of experience, that the best of the various ways to do it is to set it up as a separate Government corporation, as independent of me as it is possible, to continue using all the resources that you make available to the FAA each year.

Mr. DEVINE. Are you saying in your statement here that neither under the 1940 act nor the act of 1950 can you conduct a business-type operation through these airports?

Mr. HALABY. No sir; I don't believe I said that. I said I feel we believe we can do a more businesslike job if you provide this new legislation.

Mr. DEVINE. Specifically you say there are no standards for setting rates or no guide to sound business practice.

Mr. HALABY. That is right. It is just as though there were another non-business-type area of the Government. And in the absence of congressional policy, we have had to develop our own. And I will be glad to put in the record what we call the National Capital airports business policy. I think it would be agreeable to you. But I think that this is big business. This is some $140 million worth of the people's money we are fooling with here. And I think the Congress should state the policy, rather than have me state the policy.

Mr. DEVINE. I notice in your fourth annual report that came out just a few days ago, on page 57, you made this statement, which would indicate that you are operating on sound business basis:

> The airport has produced for the U.S. Treasury revenues greater than the funds Congress appropriated for its operation and maintenance. To avoid deficit financing in the future, FAA found it necessary in the past year to establish higher landing fees and terminal rental rates. It is anticipated the new rates will provide revenues somewhat in excess of operating expenses and appropriate depreciation interest cost.

So you apparently have been following sound business practices. And it would appear from this statement in your report that you are operating at a profit.

Mr. HALABY. We are barely in the black at Washington National, which is, I think, about as it should be, if it were operated all alone. We are deeply in the red at Dulles, and we will be for many, many years.

Mr. DEVINE. Yes. You have only been in operation out there less than 4 months.

Mr. HALABY. Yes, sir. But a well-planned profit-and-loss kind of operation I suppose should start in the black as soon as possible. Because of the heavy investment there, we won't be able to recover costs, interest, and depreciation for 15 or 20 years. And so that airport will operate at a deficit, a planned deficit, if you will, planned long ago when it was first designed by the previous administration. And that is what we have to face.

Mr. FRIEDEL. Will the gentleman yield?

I am afraid it wasn't planned that way long ago, because they never dreamed the cost of building the Dulles Airport would be over $100 million—never mentioned at any time over $40 million. And it is way over $106 million now. So they couldn't have planned it long ago.

Mr. DEVINE. Getting back to the necessity for this legislation, would it be an accurate statement of your position, Mr. Halaby, that you plan to get into the black as quickly as possible. You feel with the enactment of this legislation you can get there more rapidly than without it.

Mr. HALABY. I think, Mr. Devine, that this legislation would help us husband the money appropriated by Congress. It would enable us to do a better job.

I think it is going to be a long time before any administrator of the FAA or any chairman of any Washington Airports Board would come to you and say both of these airports, operating as a business, are in the black. And we have testified to that 3 years now.

Just to give you an example, we think for the next 5 years that the deficit at Dulles International Airport—and I will put this in the record, if I may—will be very, very substantial. In essence, the public and the air carriers are getting all of that airport at the expense of the national taxpayers.

Mr. DEVINE. You don't anticipate an interchange of funds between Washington National and Dulles, do you, if these two corporations are set up.

Mr. HALABY. Oh, yes. The provision of the corporation bill operates the two airports as one corporation.

Now, the way we account for them is another matter. There will be separate statements. We can give you the separate financial statements, if you wish.

Mr. DEVINE. Do you expect in the operation of the two in the event it is successful, that any profit of Washington National will be transferred to offset the deficit at Dulles? One may help carry the other?

Mr. HALABY. Well, I submit, Mr. Devine, that the amount of profit we can make at Washington National is so small in relation to the deficit that any offset for Dulles would be almost de minimis.

Mr. DEVINE. For example, could you anticipate pumping up your landing fees further and your hanger rental fees further to help offset the losses at Dulles?

Mr. HALABY. No. The problem there is that one carrier using Washington National, but not using Dulles, must not, on a fair and business basis, carry all of the load of both.

In reading the act in section 5(c), it specifically states:

> In the determination of such rates and charges, each airport under the jurisdiction of the corporation shall be considered as a separate entity, and the Corporation shall give due consideration to the costs of operation of and the amount of capital investment in the airport concerned including interest and depreciation.

A carrier who uses only Washington National would be charged rates and charges in relation to Washington National. And if he did not use Dulles, he would of course not be charged in relation to the deficit at Dulles.

So the total operation would be combined, and funds could be used flexibly. But in charging the user, he is charged in relation to the airport he is using, not to the total of both airports.

Mr. DEVINE. I can anticipate a number of problems that would arise.

Mr. FRIEDEL. I wish to make one brief announcement and I want to ask one question.

We will resume hearings at 1:30 in room 1304, the Public Works Committee room on this floor. And we will only be able to be there until 3:15. We have quite a few people to hear from. We are going to try to finish this up today. So I will ask all to be brief.

The one question I want to ask you is this, Mr. Halaby.

In your statement, you gave an example.

> We have had situations arise where the installation of parking meters costing approximately $7,000 would give us a potential annual revenue of $100,000. This revenue was lost.

Now, in all my dealing with the city government—I don't know how many different parking meter companies there are—but there hasn't been one that wouldn't put them in without any cost and take their money out of the revenue.

Mr. HALABY. You mean you would give a concession to a parking meter company.

Mr. FRIEDEL. You would own the meters outright. But you wouldn't get one penny of revenue until they are paid off. Then they are yours. That has been done in every city that I know of. So somebody slipped up there.

Mr. HALABY. We have a legal problem with doing that at Washington National. It is a rather detailed one. If I may, I will submit a paragraph for the record.

Mr. FRIEDEL. I would like to have it.

Mr. Jarman.

Mr. JARMAN. Mr. Halaby, I want to congratulate you on an excellent statement. I would have just one question to ask at this point in the hearing.

You mention in your statement that the proposed Washington Airports Board would necessitate a higher administrative overhead than the approach recommended by you, that is, the corporation. You mention specifically, as an example, the salary of board members amounting to $100,500 per year.

Could you give the committee any kind of a comparative statement of what the difference in administrative costs would be between the two approaches that are recommended in the various bills? Any additional information on that point would be, I think, helpful to all of us here.

Mr. HALABY. We will try to put something together on that, Mr. Jarman. The difficulty is that it is very hard to predict the care and feeding of Presidential appointees. As you know, if there were five men here appointed at some future date, they would then take control of the two airports. If we said that each one of them would have his own staff, as some commissions and boards do, that would add so much salary to the $100,500.

If we said they traveled a lot, all over the world, to see other airports, and how they were being operated, that would add to the travel budget.

If they had a unique desire to have a very large legal staff, then that would. And it is awfully hard to predict what five men on a board or commission would decide were necessary expenditures.

We will attempt to put that together within some framework and present it for the record.

We know that the $100,500 is a clear additional amount. And I think C. Northcote Parkinson may be a good source on this as to what happens when a commission is set up to replace a line operation.

But we will do the best we can.

Mr. JARMAN. Can you anticipate what additional costs there will be for your Agency under the corporation approach?

Mr. HALABY. We will give you an estimate of how much less it will cost; yes, sir.

Mr. JARMAN. Well, any information along that line would be helpful.

Mr. HALABY. All right, sir.

Mr. FRIEDEL. I have a statement here from Dr. Garmatz and I would like to have that inserted at this point in the record.

(The document referred to follows:)

STATEMENT OF HON. EDWARD A. GARMATZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. Chairman and members of the Subcommittee on Transportation and Aeronautics, two of my committees are meeting this morning, making it impossible for me to testify personally. Therefore I wish to submit this statement in support of the bills before your committee to transfer the responsibility for the operation of Washington and Dulles Airports from the Administrator of the Federal Aviation Agency to a Washington Airports Board.

When similar legislation was before your committee last year, I stated that I did not believe it would be possible for the Federal Aviation Agency to per-

form its official duties, and operate as owners of National and Dulles Airport, in an impartial manner. At that time I mentioned that pressure was being brought to bear on the airlines to divert their jet traffic from Friendship to Dulles. Figures made available since Dulles has been in operation have made it clear that that pressure has borne results.

The airlines should be able to choose the airports they will use, based on the needs of the area for the service, the economy of airline and airport operations and the safety aspects.

The fact that passenger arrivals and departures at Friendship Airport in 1961 increased 52 percent over 1960, and more than doubled the total in 1959, is a clear indication that the business is available at the Baltimore Airport, if the lines will furnish the service.

Since the beginning of operations at Friendship Airport, a capital improvement program has been maintained by the Baltimore City Airport Board, and improvements are constantly being made to meet the expanding needs of the service, and to provide every possible safety feature for the present and foreseeable future, and it is second to no airport in the conutry in this regard.

Because of the unusual and costly features included in the construction at Dulles and amortization of the debt within 25 years as required under the congressional authorization, the cost of the fees to airlines is necessarily greater. With the airlines already burdened by heavy operating expenses, it is difficult to see how they can economically shift from Friendship to Dulles, and I do not believe, that given a choice, without pressure from Federal agencies, they would voluntarily do so.

In its first 3 months of operation, Dulles had received 40 percent of jet flights which had been using Friendship. The total transfer of flights to Dulles—jet and nonjet—for that period is 16 percent. At the beginning of this month the British Overseas Airways Corp. shifted their entire operation to Dulles, giving as their reason, the fact that the FAA had pointed out clearly and emphatically that Dulles will be the official jet airport for the National Capital. This isn't even "subtle" pressure.

No Federal agency should be in a position to coerce airlines to use one airport in preference to another. Therefore, I believe that the two airports serving the Washington and northern Virginia areas should be operated by an independent board, not a Federal regulatory agency, and I urge favorable action on the bills now under consideration, for that purpose.

Mr. FRIEDEL. We will recess until 1:30.

Mr. HALABY. May I have my associates return, Mr. Chairman?

Mr. FRIEDEL. We would like to have you here in case something turns up.

Mr. HALABY. All right, sir. Thank you.

(The following supplemental statement was received from Mr. Halaby:)

SUPPLEMENTAL STATEMENT BY HON. N. E. HALABY, ADMINISTRATOR, FEDERAL AVIATION AGENCY

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to comment on the views expressed by the Comptroller General on H.R. 826, a bill to create a National Capital Airports Corporation.

The Comptroller General's analysis of this bill as set forth in his letter to the committee of April 24, 1963, and earlier communications relating to the incorporation of the National Capital airports, applies the standard of congressional control and finds that a corporation would lessen that control without offering compensating advantages. I respectfully suggest that the standard invoked misses the mark and tends to obscure the real issue. As I stated in testimony before this committee on March 19, the paramount issue before us is this: How can the Federal Government best manage and operate the two multi-million-dollar airports which serve our Nation's Capital?

When the Hoover Commission recommended some 14 years ago that the Washington National Airport be incorporated, they were not searching for a way to lessen congressional control over that airport's operations. They were simply urging recognition of the fact that the Federal Government was there engaged in the conduct of a very substantial business activity—one which could be more efficiently conducted under a corporate form of management. I think it is

equally safe to say that a reduction in congressional control was not the objective of the Eisenhower administration in its support of incorporation. Certainly, it is not the objective of this administration, which urged in the President's budget message the establishment of a Federal corporation to provide consolidated and business-type management of the Washington National and Dulles International Airports.

To speak of "lessening congressional control" suggests that the "real" interest of the Congress and the "real" interest of the executive branch in these two airports is somehow different. I reject this implication. As a member of the executive branch, I am only interested in carrying out to the best of my ability my responsibility for assuring that these airports are operated efficiently and effectively, and on a self-sustaining basis. This is, of course, Congress mandate to me. In this bill, therefore, we are not concerned with lessening congressional control. We are concerned with perfecting the mechanism through which that control is to be exercised and, at the same time, improving the management of two large airports.

In the bill now before this committee, there are many controls being proposed which are not now in the statutes, particularly those relating to rates and charges and computation of capital investment and interest payments. Others are proposed which would be in lieu of existing statutory limitations. Specifically, I refer to such provisions as those dealing with property acquisition and disposition, expenditure of funds, etc. The fact is that through the Government Corporation Control Act, in the bill now before the committee, and in the annual review by the Appropriations Committees, the Congress can establish any controls deemed necessary. Further, the Congress can periodically review the Corporation's performance with respect to all statutory standards imposed.

One final point I would make with respect to congressional control is this: Under a corporate form of budget presentation, the Congress will have available for use in its deliberations a more revealing picture of the financial status of the airports and the fiscal implications of its operating policies and practices. This knowledge, it seems to me, offers far greater assurance of effective congressional control.

I would now like to pass on to the more specific comments contained in the Comptroller General's letter:

1. *Budget and accounting methods.*—As to this, the Comptroller General stated that: "The claim that a corporation, or for that matter any change in financing methods, is necessary to achieve improved budgeting, accounting, and reporting is not consistent with the current concepts which underlie continuing efforts to bring about improvements in financial management in the Federal Government." In expanding on this statement, he argues that current accounting systems improvements in the Federal Government permit the design of budgeting, accounting, and fiscal reporting to suit the individual and particular needs of any activity under any method of financing.

The GAO comment apparently interprets the FAA position to be that incorporation is the only way to achieve improvements in budgeting, accounting and fiscal reporting. This is not the case. Certainly, improvements can be attained under the present form of organization, and the Agency has a program of continuously adopting such improvements as they are developed. The position we take is simply that it would be easier for the Agency, the President, and the Congress to review and evaluate the effectiveness of airport operations and management under a corporate form. When a business-type activity is presented under the appropriation system, the following difficulties arise:

First, under an appropriation system the necessity to convert from costs to appropriation requirements is often confusing because it requires conversion of the business-type statement to an obligational authority statement. The result is a mixture which is not easily defined and often misunderstood. Secondly, summary presentations in both the President's budget and Agency justifications do not equate receipts and appropriation needs and such a relationship is often overlooked.

With a clearer presentation of revenues and expenses, both the Congress and the administration can dispel the confusion which leads to the charge that the Government is spending over $12 million anually on these airports. This confusion results from the failure of the ordinary budget to show the net outlay after very substantial offsetting revenues have been received.

2. *Fiscal flexibility.*—As to this, the Comptroller General agrees that the Agency may need fiscal flexibility greater than that now possible in the normal

budget process. He believes this could be provided, however, by a permanently available emergency fund and improved planning.

The Agency remains convinced that the normal appropriation process or even the supplemental appropriation process inhibits timely response to requirements for improved or expanded service. Such demands as extra flight schedules, introduction of larger aircraft, or even changes in maintenance techniques may require additional expenses by the airport on short notice. With all fees going to the Treasury, even increases in power consumption may place a burden on airport funds that cannot be met without the elimination of other programed items. There are many instances where minor construction items for the safety or convenience of the traveling public were delayed for many months until the appropriation process took its course. A fixed emergency appropriation would certainly lend more fiscal flexibility than we now have. Standing alone, however, it falls far short of meeting all management requirements. We have always conceded that many separate legislative steps could be taken to remove most of the impediments to the operation of these airports on a business-type basis. Once this were done, however, we would have something closely akin to this bill in everything but name.

3. *Flexibility in business negotiations.*—GAO sees no merit in the Agency's contention that a corporation would be able to conduct business negotiations with other commercial entities on a more satisfactory basis than is presently possible. This contention is based principally on the point that a corporation would be able to increase services immediately in anticipation of increased income. This is not now possible with all revenues being deposited in the Treasury. They point out that many unincorporated Federal agencies now deal with private organizations and are not hampered in such dealings by lack of corporate status.

We believe that the GAO comments miss the main point we were attempting to make. Certainly, if the fees charged by the airports were for unchanging facilities or services, sufficient authority does exist to keep fees in line with costs. Our position is based in the simple premse that if income were available to expand service, the Corporation would be in a much better position to react to changes in customer requirements for additional space, additional power, or other improvements. Under the existing system where the necessary costs involved in major renovation of space or addition of expanded facilities must come from appropriated funds, there is no guarantee that the Agency can be responsive to customer demands on a timely basis. This has often led to loss of revenue by both airport users and the Federal Government and thus to unsatisfactory business relationships. The thrust of the Agency's argument is that the additional flexibility inherent in a corporation would improve our responsiveness to customer demands, which are not keyed to a budget cycle, and increase our revenues by gearing our services to customer needs at the time those needs arise.

4. *Purpose of Government Corporation Control Act.*—The GAO takes the position that the Government Corporation Control Act was meant to restrict previously incorporated activities rather than to facilitate the creation of new corporations. Further, the GAO states that only a few new corporations have been chartered since the enactment of the Government Corporation Control Act and that a number of activities having characteristics similar to existing corporations are now operating as conventional organizations financed by regular appropration and budgetary processes.

Certainly it is true that one purpose of the act was to bring then existing corporations under an orderly statutory umbrella. This is not to say it was intended to prohibit creation of any new corporations. We believe that the act clearly recognizes the advantages of the corporate organization in carrying out certain Federal activities. The proof of this, of course, is the fact that Congress has created and rechartered many corporations since enactment of the Government Corporation Control Act.

5. *The Comptroller General's comments on specific provisions of H.R. 826.*—In his letter, the Comptroller General questions several specific provisions in H.R. 826 and I would like to comment briefly on these:

Section 5(a) and (b): The Comptroller General suggests a possible conflict in requiring the establishment of rates "on a self-sustaining basis" in section 5(a), and requiring in section 5(b) that such rates be consistent with rates at comparable airports. The reason given is that Dulles cannot operate on a self-sustaining basis, initially at least, if its rates are comparable.

We do not believe that there is a necessary conflict in these two sections. So far as we know rates at all airports are intended to be on a self-sustaining basis. However, the reference to the case of Dulles International Airport indi-

cates the Comptroller General's apparent understanding that the airport is to be self-sustaining immediately. We have consistently informed the Congress that the self-sustaining principle was valid only over a long period of time and that there would be deficit operations at Dulles during its early years of operation. As you know the standard of comparability was one adopted by this committee. We believe it is workable.

Section 6(5) (A) and (B): In addition to the restrictions on capital projects in section 11, the Comptroller believes Congress should specifically approve items of this nature in the annual Appropriation Act.

We do not believe that the Comptroller has properly interpreted the provisions of section 11. We construe the section as giving the Congress full control over capital projects or new types of activities. Full and complete disclosure in the budget submission is required for all capital expenditures or new programs in advance of beginning such projects. Certainly, if the Congress did not approve of any project listed in the annual budget, limitations would be written into the Appropriation Act.

Section 5(6) (D): The Comptroller General believes that this section would give concessionaires and tenants a vested and continuing interest in the improvements made by them to Government-owned property which would necessitate subseqent expenditures by the Government to remove such vested interests; and permit substantial changes to be made to Government-owned property without specific approval by the Congress, thereby reducing congressional control.

The primary purpose of this provision is to substantially increase revenues to the Government by attracting private capital for such items as hotels, hangars, and similar business operations. Otherwise, all capital ventures would have to be initially financed by appropriations and then operated by concessionaires. We believe that this would inhibit a desirable growth of industrial and business investment at the airport and unnecessarily increase the need for appropriations. Prudent management requires, of course, that all such contractual arrangements contain features to protect the Government's interests and prevent the circumstances envisaged by the Comptroller. It is of interest to note that the Department of Interior recently obtained legislation similar to this section applicable to concessionaires in national parks. As you know, we have recommended separate legislation to accomplish this objective if the corporation bill should fail to be enacted. The justifications for these bills (H.R. 3126 and 3127) are set forth at length in the letters transmitting them to the Congress. Enactment of H.R. 826 will eliminate the need to consider these bills.

Section 6(10): The Comptroller General recommends deletion of the word "specifically" from this section so that all laws applicable to Government corporations would govern its obligations and expenditures.

Congress has included the word "specifically" in this context in previous corporation legislation on several occasions. Its use makes clear that many general statutes applicable to Federal agencies will not apply to corporation operations unless so indicated by the Congress. We would foresee a great deal of difficulty and confusion in determining applicable law if the word were deleted. Many statutes by their terms could be construed to be applicable to corporations. Because of special provisions in the enabling legislation of a corporation, there is at least an implied exception to many otherwise applicable statutes. For this reason, where Congress has wanted particular laws to apply to corporations which, absent specific language, might not apply, they have made the laws specifically applicable. Examples of this are the Federal Corrupt Practices Act, the Government Losses in Shipment Act, the Walsh-Healey Act, certain sections of the Administrative Expenses Act, the Miller Act, the Federal Property and Administrative Services Act, and many others.

Section 10(b): The Comptroller General believes that the basis for the computation of interest to be paid into the Treasury as prescribed by this section appears to be unduly complicated.

It is our understanding that this section of H.R. 826 would provide that interest rates charged would be those current at the time investment is made in the airport, thus adjusting to Treasury interest rate fluctuations for each increment of investment. This puts the Corporation in a fair competitive position with locally owned airports which finance bonded indebtedness from time to time. It is further our understanding that this language is satisfactory to the Treasury Department.

Section 10(c): The Comptroller General believes that this provision for crediting to the appropriation account funds excess to current needs would be arbitrary because of the impossibility of determining whether excess funds were

generated from appropriations or from receipts from operations. Also, that it would tend to lessen congressional control due to the fact that such payments would be available to the Corporation without going through the appropriation process.

The Comptroller General has misconstrued the purpose of this section. It contains standard language which permits the Corporation to return temporarily excess funds to the Corporation's appropriation account in the Treasury where they are held for future use by the Corporation. This action reduces the Corporation's interest-bearing investment and reduces the Treasury's outstanding funds. No purpose would be served by segregating the excess funds generated from receipts from those derived from appropriations. The ability to draw on this appropriation as required would preclude additional appropriations and protect the financial integrity of the Corporation. In any event the Congress would be provided with an annual review of balances and requirements for such funds and would have the opportunity to take any appropriate action to control their level.

Section 10(e): The Comptroller General believes that the provision that advances from appropriations to cover actual losses of prior years shall not require the payment of interest is inconsistent with the declared objective that the Corporation should operate on a self-sustaining basis.

This subject is a matter for congressional policy. The section is intended to prevent depletion of Corporation assets in the early years when deficit operations are expected. Appropriations to cover such deficits would be made only in cases when the cash position of the Corporation was in jeopardy.

Section 13: The Comptroller General suggests that this section which provides for the use of the Corporation's airports by aircraft of the Department of Defense without charge should be amended to authorize the airports to assess charges in those cases where substantial use is made of the airport facilities.

The Agency has no objection to section 13 as written in H.R. 826, nor would we object to language identical to that in section 11(4) of the Federal Airport Act as suggested in the GAO comments. Under section 13 as written there is discretion to limit military use and, under section 5(d) there is authority to charge for the use of facilities on the airport. Therefore, in either event, we think the Corporation would have sufficient authority to cope with any problem arising from military use.

Section 14: The Comptroller General believes that this section, which provides for the furnishing of space without charge to certain Government agencies, should also be considered in relation to the operation of the Corporation's airports on a self-sustaining basis and that, consequently, charges should be authorized as they are in Public Law 87-255, the 1961 act amending the Federal Airport Act.

We think the Comptroller has overlooked the provisions of section 5(d) of the bill. This section authorizes the Corporation to charge Federal agencies for space, facilities, and services provided on the basis of actual cost to the Corporation. Section 5(d) excepts from charges those activities specified in sections 13 and 14, which are landing and takeoff of military aircraft, air traffic control, weather reporting, and related communications activities. We believe these provisions are consistent with the congressional policy expressed in Public Law 87-255.

Section 17(a): The Comptroller General notes that the Agency presently does not make payments in lieu of taxes on real property owned by the Government.

It is true that we do not presently make such payments. We believe, however, that restitution for loss of tax revenue in the case of the Dulles International Airport is equitable in view of the significant amounts of land condemned for airport construction.

General.—The Comptroller General notes that H.R. 826 does not contain such a provision as was contained in H.R. 7399, to transfer to the Corporation the unexpended balances of any appropriations made for the construction, operation, and maintenance of the airports to be transferred to the Corporation.

As the committee knows, this provision was ommitted from H.R. 826 on the basis that it might give rise to a point of order since it dealt with appropriation matters. We believe it is unnecessary in any event since there is standing authority in 31 U.S.C. 581c authorizing the President to transfer unexpended balances whenever functions for which the appropriations were made are transferred.

In closing, I would like to summarize my position on the issues raised by the Comptroller General. First of all, our only interest in creating a corporation to operate the two Washington airports is a managerial one. I am not one who

believes that executing the laws in the manner prescribed by the Congress is an onerous burden from which relief must be sought. Therefore, what we are seeking is not relief from statutory control but rather the creation of a new statutory framework more responsive to the operating needs of these airports. Admittedly, this is a change in the form of congressional control. It does not necessarily follow from this that congressional control will be lessened.

Secondly, I would again admit for the record that these airports can continue to be operated under existing laws. I would also admit that the present operation could be improved with certain piecemeal amendments as proposed by the Comptroller General. Nonetheless, I remain convinced that a corporate organization is essential if we want to create that environment which will permit the most efficient and effective operation of these airports. This is the real question before the committee.

That the committee takes most seriously the management of the National Capitol airports has been demonstrated by the careful way in which it has considered each issue raised by the corporation bill. I hope that with the completion of these hearings the committee will be in a position to take favorable action on H.R. 826 and that we can get on with the management task before us. If I can provide any further information to hasten this objective, I shall be happy to do so.

(Whereupon, at 12:05 p.m. the committee recessed, to reconvene at 1:30 pm. the same day.)

AFTERNOON SESSION

Mr. FRIEDEL. The Subcommittee on Transportation and Aeronautics of the Interstate and Foreign Commerce Commission will continue the hearings on H.R. 826, 2081, 3328, and 3406.

Our first witness will be Leo Seybold, vice president, Federal affairs, Air Transport Association.

Mr. Seybold, you may proceed.

STATEMENT OF LEO SEYBOLD, VICE PRESIDENT, AIR TRANSPORT ASSOCIATION

Mr. SEYBOLD. Thank you, Mr. Chairman.

I am appearing on behalf of those of our member airlines who operate into Washington National and Dulles International Airports.

Since we have previously testified extensively and commented in writing on these bills before the subcommittee, we will not prolong the hearings by a detailed discussion of the carriers' views on the bills.

However, some general comments about the issues and specific discussions concerning certain important amendments seem in order.

Under H.R. 826, the National Capital Airports Corporation would be established to take the place of the Bureau of National Capital Airports in running Washington National Airport and Dulles International Airport.

While the operation would presumably be carried on by essentially the same personnel, the legal fiction of establishing a Government corporation would permit direction of the airports with considerably greater freedom from certain restraints of Congress and others.

Thus, it has been indicated in FAA testimony that the Federal Aviation Agency, through the corporate form, could manage the revenues and expenses from the airports more efficiently so as to respond swiftly to changing circumstances and eliminate the inadequacies which FAA feels have constituted serious hazards to safety and

interfered with efficient operations caused by the normal budget processes.

The hestitancy of the carriers with respect to the Corporation stems in part from their uncertainty about the effect which the so-called Corporation would have on the present somewhat anomalous situation with respect to these two airports.

On the other hand, we have the Washington National Airport, an established, high-traffic, efficient airport which has admittedly more than paid its way for a good many years.

On the other hand, we have Dulles Airport a national asset and an international showcase, a high-cost, presently low traffic facility, a 1975 airport in 1963.

It is an airport of which the Nation can be proud, but containing new and expensive features which, at least at this time, no one can say with certainty, will ever be able to pay their own way.

When the Dulles Airport was under development, everyone recognized the opportuniy available to the Government to make it an outstanding airport with a terminal building which would become one of the unusual attractions of the Nation's Capital. It was to be the doorway to Washington for visitors from all over the world.

It might also be said that there was an opportunity to demonstrate what could be done in the way of constructing a highly efficient, functional terminal at the lowest possible cost. Possibly an effort was made to try to combine efficiency with uniqueness and beauty of design.

Certainly Architect Saarinen achieved a masterpiece of unusual and attractive design in the Dulles terminal. It is truly a national monument to be proud of. Its tremendous attraction to visitors bespeaks the success with which the objective was achieved.

But no one would contend that it was low cost or that the costs of achieving the striking new design were equal to those of a more strictly functional structure.

As citizens we are proud of the terminal and expect to pay for our share of its national monument aspects.

As carriers we feel we and the other tenants should pay for the commercially used and usable features of the building.

Last year, the committee wisely recognized the tremendous distinction between these two airports and provided that they be treated as separate entities.

On the other hand, it is quite obvious, and the bill contemplates, that the Agency will, if the Corporation is established, treat the two airports, for all practical purposes, as one entity in the management of their funds.

Taking these airports out from under the annual appropriation control of Congress will, it has been contended, make it easier for the management to do the things it wants to do in the operation and management of the airports. It also means that they will be somewhat removed from the close supervision which Congress has been able to exercise over them under present procedures.

For these reasons, the carriers are concerned that, if a corporation is established, the basic legislation should provide adequate guidelines for the handling of this anomalous situation—the well-established, busy, profitmaking airport on the one hand and the high-cost, brand-new, national monument airport which is just getting into operation.

The carriers have every reason to believe that, so long as the present Administrator and his Director of the Bureau of National Capital Airports hold their present positions, the constructive and reasoned approach they have shown to mutual problems will continue.

Such items as the access road, monumental excess development costs, and related factors which it has been generally agreed should be excluded from the capital investment base for ratemaking purposes, will continue to be so recognized.

However, it is proposed that this corporation be a perpetual one, and managements will change over the years.

Therefore, it seems desirable that, so far as feasible, the guidelines for the conduct of the proposed corporation, if it is to be established, should be realistic and free of uncertainty.

Therefore, we feel that certain amendments to the corporation proposal are highly advisable.

The first two of these have to do with the access road and the showcase features of the airport.

RATES, CHARGES, AND CAPITAL INVESTMENT

Section 5 establishes a general policy that, under certain guidelines, the operation of any airport under the corporation shall be on a self-sustaining business enterprise basis to the maximum extent practicable.

In the determination of rates and charges at each airport, the corporation is directed to give due consideration, among other things, to the amount of capital investment in the airport, excluding items not normally attributable to the local sponsors' share.

While it generally has been acknowledged that such items as the cost of the access road, the control tower, unusual development costs, etc., should be omitted from the base on which rates and charges are calculated, these items of capital cost are not excluded in the present draft.

We believe this section of the act should recognize those factors.

In connection with the access road, it is contemplated and provision is made in the bill (sec. 7) for transfer of all or any part of it to a Federal agency or an agency of the State of Virginia.

However, there have been certain difficulties in the way of ironing out this transfer.

Pending the ironing out of such difficulties, the corporation bill should specifically exclude this cost from the capital investment for rate purposes.

The terminal building is outstanding but somewhat expensive for the amount of space it contains.

While no one has put a figure on the cost of the outstanding nature of the architecture, it must be recognized that such a cost exists.

Therefore, the carriers feel that, if Congress decides that a corporate organization is better than the present operation, these unusual features should be specifically excluded.

The following amendments would accomplish this objective:

Page 3, line 21, strike "the airport concerned" and insert in lieu thereof—

the facilities and functions at the airport concerned (excluding those facilities and functions provided for purposes other than or in excess of, the needs of commercial users of such airport)—

and on page 12, line 10, strike (1) and (2).

Page 4, line 21, change the period to semicolon and insert—

and, (3) in the case of the airport constructed under the act entitled "an act to authorize the construction, protection, operation and maintenance of a public airport in or in the vicinity of the District of Columbia," approved September 7, 1950 (D.C. Code, secs. 7–1401 to 7–1412, inclusive) the cost shall not include the amount attributable to any airport access road not located on the airport.

ARBITRATION OF DISPUTES

We have previously stated that there should be a provision in the bill for arbitration of disputes between the proposed corporation and the users.

We cited instances where other Federal corporations voluntarily subjected themselves to arbitration.

Such a proceeding involving Goverment corporations, we pointed out, is not new.

FAA's reaction was that it would be beneath the dignity of the sovereignty of the United States to subjetc itself to arbitration.

We have some difficulty in understanding the FAA contention. In the first place, a provision for arbitration, the purpose of which is to avoid a multiplicity of judicial proceedings, furthers the interests of the public in the orderly transaction of the Government's business.

Certainly this is to be preferred to burdening the courts to settle a dispute as to whether the statutory standards have been adhered to.

In the second place, most Federal corporations have been empowered by Congress with the capacity to sue and be sued in their own names.

This power has been exercised many times in the past. Such a provision is included in this bill (sec. 6(3)).

A provision for arbitration of disputes, being of less dignity than the ability to sue and be sued, should be encouraged rather than scorned.

But perhaps more important than this is the fact that it has been strongly contended that the purpose of the corporation is to establish itself on a businesslike basis so that it can function as a business enterprise.

For example, one of the arguments is that as a body corporate, a Government corporation has a separate legal personality distinct from that of the United States.

We find it difficult to understand how it can be contended that one of the advantages of the proposed Corporation is to permit it to operate as a corporate entity and yet draw the cloak of Government immunity around itself for purposes of objecting to arbitration.

It seems wholly inconsistent to provide the proposed Corporation with powers of suability, on the one hand, and limits its ability to settle disputes outside the courtroom, on the other.

Neither the interest of the public, the airlines, nor the Corporation itself would be well served by encouraging resort to our already overcrowded judicial system for the final determination of disagreements when the Federal Arbitration Act provides for a convenient, satisfactory and speedier alternate forum.

For these reasons, recourse to arbitration should be specifically provided for. The following amendment is recommended to accomplish that purpose:

Page 3, line 12, after the period, insert "In the event of the failure of the Corporation, and any airport user to agree that a proposed rate or charge for space, facilities or services at the airport is consistent with the provisions of this act, the disagreement shall be subject to arbitration pursuant to provisions of the Federal Arbitration Act."

ADVISORY BOARD

H.R. 826, the bill before you, contains a change on page 10, line 10 (sec. 9(b)), from the original draft.

Originally, it was contemplated that the Advisory Board could meet either at the call of the Administrator or the manager or on its own call.

H.R. 826 now provides that it may meet only at the call of the Administrator or the manager, a provision which seems to relegate the admittedly powerless Board to a further position of subserviency to the Administrator or the manager.

It is suggested that the Board be permitted to meet on the call of any two of its members, as well as at the call of the Administrator or manager.

To accomplish this, the following amendments are suggested:

On page 10, lines 10 and 11: Line 10, strike "only", and line 11, after "manager", insert "or at the request of any two members of the Advisory Board."

INTEREST CHARGES

Section 10, which provides for the establishment of a National Capital Airport Fund, contains terms for payment to the Treasury of interest on congressional appropriations to the fund and for interest on the capital investment.

It has been widely acknowledged that it will be a considerable number of years, because of the light volume of traffic at Dulles International Airport, before revenues from rates and charges equal operations costs, let alone pay for interest on capital items.

The bill presently recognizes this, but provides for it in a manner which would be unnecessarily cumbersome and time consuming.

Even though this situation may exist for a number of years, the bill provides, in section 10(d) (p. 14, line 3), that the anticipated insufficiency of receipts shall be met each year by Congress by specifically providing for waiver or deferral of the interest in whole or in part.

A more satisfactory way of meeting this situation would be by waiver of the interest during the initial period.

The following amendment is recommended to accomplish this:

Page 14, line 8, strike the period and insert:

Provided: That interest on that portion of the Fund assignable to the airport constructed under the Act entitled "an Act to authorize the construction, protection, operation and maintenance of a public airport in or in the vicinity of the District of Columbia" approved September 7, 1960 (District of Columbia Code, secs. 7-1401 to 7-1412, inclusive), is hereby waived until such time as the revenues generated at that airport exceed the maintenance and operating costs of the airport.

There are other questions in the minds of the carriers concerning the Corporation.

However, the above points are regarded as the most important to clarify policy guidelines, insure fair and reasonable charges, and establish a sound basis for realistic functioning of the proposed Corporation.

The other bills, H.R. 2081, H.R. 3328, and H.R. 3406, are identical, and would set up an independent Washington Airports Board of five full-time salaried members to run the two airports.

There is some uncertainty on the part of the carriers about the manner in which such a board would operate, the effect of such a transfer on the efficiency of the airport operations and on airline operations, and the scope and limitations of the financial and operational authority of the Board.

The carriers have some doubt about the advisability of establishing another Government agency and turning the airports over to it to operate.

Please be assured of the desire of the carriers to be helpful to the committee in any possible way on these matters.

Mr. FRIEDEL. Thank you, Mr. Seybold.

I notice one thing all through your statement—that you use the words "national monument aspects"—speaking of the Dulles Field as a national monument.

I agree with you.

What is the feeling of the Air Transport Association with regard to a corporation independent of the FAA, with your amendments?

Mr. SEYBOLD. Mr. Chairman, we have always felt that there were three possible alternatives here.

One was the kind of corporation which the administration is sponsoring, one was the kind that you are speaking of, independent of FAA, and the other would be an amendment to the acts under which the airports are presently functioning, which would clarify these problem areas that have perhaps given rise in part to this request for a corporation—in other words, the problem of the lease term at the Washington National Airport, the ability to construct facilities for a concessionnaire and charge him for it, the problem of having funds to meet unforeseen emergencies, which could be met perhaps by a revolving fund specifically earmarked for that purpose.

So that we have some concern about either the corporation or the board and we have always felt there was a further possibility, and that would be to improve the present law so that the administration could accomplish—could clarify those problems which it feels have given it a problem in the management of the airport.

Mr. FRIEDEL. H.R. 2081 does not create a corporation—it is an independent board with five members.

I imagine they would take into consideration there has been a big outlay of money that should not be charged to the cost of operation of the airport.

But they would not be under the jurisdiction of the Administrator. They would be separate and distinct from him.

That is the point where I think we have to make a distinction. Because as long as the Administrator has his work cut out for him, for safety at all airports in the United States—he should not be bothered about being a concessionnaire or rental agent or anything of that type.

Whether he delegates it to someone else, he still has his finger in the pie according to the bill H.R. 826.

That is the point I have been trying to make.

I don't care whether it is a corporation, or an independent board. But I want to separate the FAA from airport operations.

Mr. SEYBOLD. Well, your proposal to set up a separate, independent agency does give us some concern also, because of adding to the governmental structure another agency which regulates the air industry.

Certainly it would be possible to combine the two, as you have suggested.

But, as I say, we feel that there is a possible third alternative, and that would be to clarify these restrictions in the present law which inhibit the functioning of the airport in the way that management thinks it should be run.

Mr. FRIEDEL. Mr. Hemphill.

Mr. HEMPHILL. Thank you, Mr. Chairman.

I am sorry I missed part of your testimony, but I was delayed.

I am sure you don't object to any ambition of the Federal Aviation Agency to put the operation of Dulles or any other airport under its immediate control on a businesslike basis.

Mr. SEYBOLD. We certainly do not, Mr. Hemphill.

And we agree with the statement that was cited earlier in the hearings this morning from the Administrator's report of last year, the annual report, in which it was stated that the operation of the Washington National Airport has been run on a businesslike basis during the last year.

Mr. HEMPHILL. I am also sure that you won't—at least I hope you would not object to having a more efficient manner for making decisions, would you?

Mr. SEYBOLD. Well, I don't know whether the Corporation would make the gentlemen running the airport any more efficient than they are, but I would not object to it.

We feel they have been doing a good job.

Mr. HEMPHILL. Are you saying what the FAA proposes will or will not help? Will it help or won't it help in the operation of these airports? That is the question here.

Mr. SEYBOLD. Let me say this, Mr. Hemphill.

The carriers have not experienced the problems with the present law and the management of the airport that the management seems to have experienced. We have been unaware of these problems.

Mr. HEMPHILL. If you are unaware, why are you objecting to the FAA in its effort to improve its own administration, if this is an effort?

If the carriers have not felt any result from it, and have not known of it, why are you coming up here in opposition to it?

Mr. SEYBOLD. Let me say I don't believe we have testified in opposition.

We have suggested some amendments to the Corporation bill which we feel would be realistic, and put it on a more reasonable basis.

And we have suggested that there may be another alternative to the Corporation.

We are not opposing the Corporation, not actively opposing the Corporation.

Mr. HEMPHILL. Do the carriers feel that this proposed Corporation would increase their cost of operation in any way?

Mr. SEYBOLD. Possibly. We don't know.

Mr. HEMPHILL. In what way?

Mr. SEYBOLD. I think it is possible—we do not know how—but I think it is possible if you remove this operation one further step away from the examination which the Appropriations Committee is presently able to exercise over it in detail, that it may be easier to build in inefficiencies, yes.

Mr. HEMPHILL. Well, anything is possible.

If you had said something was probable, I think you would have a case.

If you had not put your crutch in the Appropriations Committee, which you apparently hope to do now, and gave me some sound reasoning, I would be more inclined to give more credence to your reasoning.

But it appears to me that the Administrator is making an effort to improve his own administration.

While it is set up as a separate corporation, nevertheless it is still going to be the responsibility of the Federal Aviation Administrator, it is still going to be under the control of the Congress, because it is under the Federal Aviation Administration.

And unless you have some reason to say that you can point out here that it will not do the things the Administrator says he hopes it will do, it appears to me in the interests of aviation you would go along with it.

Mr. SEYBOLD. I didn't say that it won't accomplish the things that he hopes.

What I tried to do was portray the situation which the carriers find themselves in, where we have one airport that is a very busy, efficient, high traffic airport, admittedly paying its own way, and then some.

And another airport which is brand new, which everyone recognizes will take a substantial number of years to develop the traffic to put it on a paying basis.

And I would suggest that it is probably the uncertainties of those two somewhat incongrous situations that make us a little concerned about the Corporation.

Mr. HEMPHILL. Perhaps I misjudge your testimony. I am sorry.

I see on page 3 here you talk about the national monument aspects.

As carriers we feel we should pay for the commercially used and usable features of the building.

Are you inferring there if this plan is carried out, you will pay more or less than you should pay for the commercially used and useful features of the building?

Mr. SEYBOLD. We make that statement in relation to the desirability of clarifying the elements of the national monument aspect of this airport, and suggesting that they should be written—that those which are over and above the normal features of an airport should perhaps be excluded in the standards that are established by Congress in setting up this Corporation, so that it will be clearly understood that those excess costs are not expected to be recovered from the carriers and the other commercial users.

Mr. HEMPHILL. Well, I didn't hear any proposition that they expected to recover any excess costs from the carriers.

Maybe I didn't understand the testimony correctly.

Mr. SEYBOLD. No. And as I pointed out further in our testimony, if the present Administrator and the present Director of the Bureau of National Capital Airports were to continue in perpetuity in their positions the treatment which they have shown us so far, and have recognized those unusual aspects, and have excluded them in arriving at the costs which have been negotiated, then we would have no concern.

But this will be a perpetual Corporation. And the management of it will change. And we would like to have the standards as specific as possible established by Congress, so that it is understood that the access road, or the unusual features of the design of the terminal, or things of that sort, are not to be included in the base from which our costs are calculated.

Mr. HEMPHILL. If the Congress spelled out in this bill that that was the purpose of Congress, to charge for the commercially used and useful features of the building—won't that satisfy you?

Mr. SEYBOLD. We would feel much better about it.

Mr. HEMPHILL. You say that is what you want. That won't satisfy you?

Mr. SEYBOLD. Well, we might still have some concern. But we would feel an awful lot better about it.

Mr. HEMPHILL. I will tell you the reason for my question and the reason for my concern.

Congress is called upon year after year to authorize and appropriate money for airports. It is called upon year after year to support vast, and I think, very efficient organizations—the Federal Aviation Administration and the Civil Aeronautics Board—for the benefit of the public, and use of public money, but it is also for the benefit of the air carriers, who are subsidized to that extent.

Now, we have a proposition in which a gentleman—I haven't heard anybody say he hasn't done a good job—I think Halaby has done a wonderful job—he is proposing this, saying his ambition is to put it on a better businesslike basis, which every free enterprise advocate in America hollers and cries about, the chambers of commerce.

And we are trying to accomplish that. And you people are getting the benefits.

And you come up here, without giving an alternative proposition, opposing it and saying there are possibilities that might take place.

As a Member of Congress, I just think your responsibility is greater than that, and I am sure some of your people must feel that way.

It concerns me.

If Halaby wasn't doing a good job, if he didn't say he was going to put it on a businesslike basis, do what the Congress said, make it pay within 30 years, I might say, well, let's not consider this.

But then you come up and say possibilities—it concerns me. Everything is possible.

We used to have a saying in the Air Force: "The difficult we do now, the impossible takes a little longer."

But I think if the present integrity and efficiency of the Administrator continues and it will, you will have an opportunity to present your views at a later date and the Congress is going to sit right here and watch the progress of this new approach.

I thank you for your patience with my questioning and my statement.

Thank you, Mr. Chairman.

Mr. FRIEDEL. Mr. Devine.

Mr. DEVINE. Mr. Seybold, does your organization have any information of any kind whatsoever indicating pressure on the part of the Federal Aviation Agency for carriers to move from Friendship to Dulles?

Mr. SEYBOLD. None that I am aware of in any way.

I think that we have to—we have a decision here. The carriers are involved in it, Baltimore is involved in it, the Congress is involved in it, and the Federal Government is involved in it.

I know of no pressure that the FAA Administrator, or the Agency has put on the carriers.

Mr. DEVINE. Directly or indirectly?

Mr. SEYBOLD. Well, if you are making reference to the statement that the chairman cited that allegedly was made by the Administrator, I don't know whether he made it or not.

I gather that he did.

But the fact is insofar as any pressure as such, the carriers have not been forced in any way that I know of to move from Friendship to Dulles.

Mr. FRIEDEL. Will the gentleman yield?

Are you familiar with the letter written by the Chief Counsel of the FAA—or the CAB—I am not too sure now—to one of our prominent airlines, telling them that they could not use Friendship to service Washington?

Mr. SEYBOLD. I believe you are referring to some actions by the CAB.

I am not familiar with everything that the CAB has done. But it is my impression that they have taken the position that an air carrier that is certificated to Baltimore will have to serve through Friendship, and if they are certificated to Washington, they will have to serve through either Washington National or Dulles.

But, of course, any carrier is going to go where business prudence directs it to go.

And by that I mean where the traffic is—considering other factors as well, including costs.

The carriers will have lots of service at Baltimore if there is traffic there.

And I admit you cannot have traffic without a lot of service. But those things go along together.

You don't have a magnitude of one without a commensurate proportion of another.

I believe that Baltimore traffic will continue to develop.

It may be that the Board has told the carriers that they cannot serve Baltimore—that is, serve Washington through Baltimore alone.

I am not familiar with the actions of the Board.

But I think the carriers will continue to render service to these areas through all three airports.

Mr. DEVINE. The thing I am trying to tie down, Mr. Seybold—I am sure you were present at the hearings last year, as you are this year.

There are all types of inferences and innuendoes and suggestions, none of which are supported apparently by fact or specific cases, indicating perhaps indirect influence on some of the carriers to change their operations from Friendship to Dulles International.

Now, Dulles is here, it is here to stay. There are problems as far as Friendship is concerned.

And I have great sympathy for our colleagues from Maryland in wanting to support his airport.

But I think for the purposes of the record and a hearing such as this, we should have specific cases, specific facts, if there is undue pressure, because if it can be established, then perhaps FAA is not the agency to operate the airport.

But we cannot go on just the inferences and the innuendoes. We should have facts.

If we don't have facts, we should dismiss the idea.

Mr. SEYBOLD. They may exist, but I am just not aware of them.

Mr. DEVINE. Wouldn't your organization be the one that would have knowledge, representing the carriers of this country?

Mr. SEYBOLD. Not necessarily on that point.

Mr. DEVINE. Well, who would?

Mr. SEYBOLD. The individual carriers. We don't have anything to do with the negotiations of rates or services or that sort of thing.

Mr. DEVINE. But you are more or less the Washington representative for the individual carriers, are you not?

Mr. SEYBOLD. For the industry, yes, we are.

Mr. DEVINE. And if they had specific cases—I am not sure whether they would report them to you or not——

Mr. SEYBOLD. I haven't heard of any.

Mr. FRIEDEL. Mr. Sibal.

Mr. SIBAL. I just have one or two questions, Mr. Chairman.

This point you deal with in your statement about the suggestion of a new corporation if it is created submitting itself to arbitration, that arbitration procedure would not be available if the Corporation were not created, would it?

Mr. SEYBOLD. No; I don't believe it would.

Mr. SIBAL. Now, what would be the significance in that element of—why would the corporation change the relationship so that that would become a necessary or desired element in the new Corporation?

Mr. SEYBOLD. Well, it is proposed to set it up in such a manner that it would be somewhat freer to deal with the funds that it has, and perhaps a little more free of Congress and the General Accounting Office.

As long as it is contemplated to set up the Corporation, it would seem to us desirable to provide a means for arbitrating disputes.

Mr. SIBAL. Because of this freedom to handle money?

Mr. SEYBOLD. Possibly, yes.

Plus the fact that you are now establishing certain standards for guiding the establishment of rates and charges.

We are concerned about having that as specific as possible and making it as workable as possible.

Mr. SIBAL. Is it your feeling that the creation of this Corporation would remove the Corporation from the controls which now exist in terms of ratesetting and so forth?

Mr. SEYBOLD. Well, it is certainly making the terms more specific on which the rates and charges are to be based.

And there could well be disputes as to whether the standards provided in the act are being adhered to.

Mr. SIBAL. As I have listened to your answers to previous questions posed by other members of the committee, I get the impression that your concern is that this is going to be more costly for the carriers; is that true?

Is that your primary concern?

Mr. SEYBOLD. Possibly without adequate safeguards.

Mr. SIBAL. You keep answering these questions "possibly."

Now, as Mr. Hemphill said, we recognize that the possibility exists of almost anything happening in almost any situation.

But do you have any hard facts which we can hang on to here that can guide us as we consider this?

I mean, is this a hypothetical fear you have, or can you give us something that we can deal with?

Mr. SEYBOLD. Well, what I have tried to do is to point out to the committee the fact that we have an airport out there which, as I said, has certain unusual aspects to it that have added to its cost.

Congress is now proposing in this bill to establish a corporation which is to be a self-sustaining corporation, fully amortizing this investment out there.

But, it is necessary, it is advisable, it seems to us, when every one knows that the traffic is going to be a long time in building up, and it is going to be a long time before this airport is actually on a self-sustaining basis—it seems advisable to us, if there isn't any question about certain of these items being left out, because they are recognized as being excessive or unusual or added in because it is a national monument, a national attraction, and so on—why shouldn't those things be provided in the bill—why shouldn't the standards that you are writing into this act specify that those things are included or excluded as Congress sees fit.

Mr. HEMPHILL. Will the gentleman yield right there?

When we authorized Dulles—I wasn't a member of the Congress, but I suppose the Air Transportation Association was in business.

Did the Air Transportation Association testify to that effect at that time?

Mr. SEYBOLD. We did, and we supported the establishment of an additional Washington airport.

Mr. HEMPHILL. Did you testify that if it was to be a national monument, that in any assessment of rates or fees to the carriers, that that assessment should be confined to the commercially used and usable features of the building?

Mr. SEYBOLD. It wasn't contemplated in the act that was being enacted that any standards were specified at all in connection with the recovery rates and charges.

The bill was primarily to get the airport located, and to get authorization for FAA, or the CAA at that time, to go ahead and find a spot, and build it.

Mr. HEMPHILL. Did you say, "It is a national monument, and don't make us pay any part of it."

Mr. SEYBOLD. The carriers never expected that they would operate without paying their fair share at the airport—never.

I would like to add one thing, Mr. Hemphill.

We are not opposing the corporation. We are offering amendments which we feel will be helpful in making the act a more workable act.

Mr. HEMPHILL. Thank you.

Mr. SIBAL. And you feel without your amendments there is a good chance that because of the several sustaining purposes of the corporation, that you will be asked to pay more than your fair share, is that correct?

Mr. SEYBOLD. Unless some of these provisions are clarified.

The Administrator testified that it will be some place between 10 and 30 years before it will be on a pay-as-you-go basis, on direct operations and maintenance.

Yet the bill as it stands now provides that interest will be collected and paid over each year to the Secretary of the Treasury unless the Congress specifically, each year, waives it.

Well, it is known that it is going to have to be waived. Why do we contemplate an action every year when we can foresee that situation and could meet it here?

Mr. SIBAL. Thank you, Mr. Chairman.

Mr. FRIEDEL. Thank you very much.

Mr. SEYBOLD. Thank you, Mr. Chairman, and members of the committee. I appreciate your time and consideration.

Mr. FRIEDEL. Our next witness will be Mr. Charles P. Crane, Department of Aviation, City of Baltimore, Baltimore, Md.

STATEMENT OF CHARLES P. CRANE, DEPARTMENT OF AVIATION, CITY OF BALTIMORE, BALTIMORE, MD.

Mr. CRANE. Mr. Chairman and gentlemen, I appreciate the opportunity to come here and say a few words.

Mr. FRIEDEL. Do you have a prepared statement, Mr. Crane?

Mr. CRANE. No, I didn't know about this hearing until at the close of business on Thursday.

I didn't have an opportunity to prepare a statement.

So I will speak, with your permission, extemporaneously.

But the statement that I submitted last year at the hearing contains a great deal of what I would like to say today.

First, however, I would like to say that I have been requested by the Greater Baltimore Committee, an organization of business and professional leaders of Baltimore, to file with the committee with your permission, a statement in which they support House bill 2081 and urge its passage, that it be expedited by this subcommittee.

Mr. FRIEDEL. That will be put in the record at this point.

(The statement referred to is as follows:)

GREATER BALTIMORE COMMITTEE, INC.,
Baltimore, Md., March 18, 1963.

Hon. JOHN BELL WILLIAMS,
Chairman, Subcommittee on Transportation and Aeronautics, Committee on Interstate and Foreign Commerce, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The Greater Baltimore Committee is an organization of business and professional leaders of Baltimore, each of whom represents a major industrial, commercial, financial or mercantile institution in the metropolitan area. Since our formation in 1955 we have been vitally concerned about the quantity and quality of air service provided to the city of Baltimore. We initiated the Adequacy of Service Case, participated in innumerable proceedings before the Civil Aeronautics Board, and have been involved in repeated testimony before the various committees of Congress.

We recognize the economic power of air service. We realize that a community that has adequate air service is strengthened economically. We also recognize that a community that is denied adequate air service is inevitably placed at an economic disadvantage as it competes with other cities or in the foreign markets. It is for this reason, therefore, that we have invested many thousands of dollars in representing the interests of the individuals and businesses of this area in our efforts to secure proper utilization of Friendship International Airport.

We are convinced that the people of the area best served by Friendship International Airport will, if given adequate service, patronize that service as well as or better than the people of comparable cities patronize commercial air service. However, we ask the opportunity to compete fairly and squarely without being placed at a disadvantage.

At the present time, it is common knowledge in the aviation industry that we are competing with Dulles International Airport at Chantilly, Va., for patrons from the Baltimore-Washington area. In particular, we are competing with that facility for service to passengers within the area best served by Friendship International Airport. If Dulles International Airport were just another airport, owned and operated by a municipality, we would not have a complaint.

But Dulles International Airport is not just another airport, and it is not owned and operated by a municipality. It was built and is owned and operated by the Federal Aviation Agency, which is the regulatory body with such great power of life and death over the commercial aviation industry in America. It is the governing body to which the commercial airlines, who must choose between Friendship International Airport and Dulles International Airport, must answer.

This is analogous to having the public service commission of a State own and operate a competing telephone company or gas and electric company or to having the Interstate Commerce Commission own a motor truck firm or a railroad. The regulating agency is, in this instance, the operating agency of a competing facility. This is patently not what Congress intended in creating the various regulatory bodies of the Federal Government, nor, I believe, what Congress intended when creating the Federal Aviation Agency.

We therefore support H.R. 2081 and urge that its passage be expedited by this subcommittee.

Sincerely yours,

WILLIAM BOUCHER III,
Executive Director.

Mr. CRANE. The Baltimore Association of Commerce has an attorney here, and I think he will speak for that.

Mr. Chairman and gentlemen, I have heard a number of references this morning, and one just a few minutes ago, about innuendoes having to do with the treatment that the airport in Maryland has received.

It is quite true that a good deal of our complaint, which we think is well founded, must rest on what might be called circumstantial evidence, or if someone wishes to use the word innuendo, perhaps that would fit the case.

There are, however, a few things that might indicate the attitude of the Federal Aviation Agency toward the airport in Maryland.

Incidentally, gentlemen, we don't refer to that airport as being Baltimore's airport by any means—it serves the State of Maryland, the southern section of Pennsylvania, and over to the Delaware border.

I am referring to a letter that is reproduced on page 165 of the hearings that took place on May 2, 3, and 4 of last year.

You will find this letter, which was addressed to the Chairman of the Civil Aeronautics Board of the General Counsel of the Federal Aviation Agency, Mr. Daggett H. Howard, complaining about the possibility of Eastern Air Lines putting in jet service to serve the Washington area, as well as the Baltimore area.

He said that he didn't mind it being in there temporarily, but only so long as Dulles was under construction.

And he says:

For these reasons, we respectfully request on behalf of the Administrator of the Federal Aviation Agency that the Civil Aeronautics Board notify Eastern Air Lines, Inc., that the Board's approval of the use of Baltimore Friendship Airport for jet flights serving Washington is limited to the period until Dulles International Airport is in operation.

I would also like to leave with the committee another letter filed by the General Counsel of the Federal Aviation Agency, under date of January 26, 1962, in which similarly he objects to Braniff Airways putting in jet service to serve both Washington and Baltimore, saying again that he didn't mind it being in there temporarily, but he says:

The use of Friendship for jet flights serving Washington is, of course, equally unsuitable, and for this reason Congress has authorized the construction of Dulles International Airport which will be in operation on or about October 1, 1962.

He also says:

Copies of this letter are being mailed today to Braniff Airways, Inc., and to the persons upon whom the airport notice was served in order to apprise them of the Administrator's opposition to the use of Friendship International Airport to serve Washington after Dulles goes into operation.

Now, Mr. Chairman and gentlemen, when Friendship Airport was built and activated in the second half of 1950, at the dedication ceremonies, at which the President of the United States was present, it was specifically stated that that airport was to be the supplemental airport for the city of Washington.

It installed a full length jet runway, nine and a half years before passenger jets were in operation.

And that runway rested there, waiting for the opportunity to use it.

And when in 1959 the opportunity to use it came, Friendship Airport handled all the jet service for both cities for a period of two and a half years, and could have handled two or three times the volume that it was handling.

Now, I am not sure whether these letters would be considered by your honorable committee as being something other than innuendoes or not.

But at previous hearings, I noticed the presence of the Chairman of the Civil Aeronautics Board. And I noticed that he had a great deal to say in support of the operation of Dulles and the fact that it should be the airport of service for Washington.

I asked Mr. Boyd at that time:

Why are you doing this when the charges at Friendship will be infinitely lower than they will be at Dulles, and these airlines are in financial trouble anyhow—

and the only answer I ever got from him was—Dulles is the National Capital's airport, QED, that is that. And so it has always been—it is the National Capital's airport.

But notwithstanding that, the people leaving from east of 16th Street, and in those northern suburbs of the city of Washington, which are in Maryland, incidentally, can reach Friendship Airport today, reach planeside at Friendship Airport today, more expeditiously than they can Dulles, even with the no-access roadway, and the new bridges built, and so on.

And we have tabulated the saving in time to show the presidents of the various airlines who subscribe to the philosophy that the people want to get to the airport in the quickest way, and that is the one they are going to serve.

Now, perhaps this is circumstantial evidence, but it is very difficult for us to understand why the British Overseas Airways, which for a period of 2 years was carrying on very successfully at Friendship, enjoying the patronage of Washington travelers, as well as Maryland travelers, and I know the number of passengers they handled last year, pulled up stakes and moved to another airport where their charges will be over three times as much, where they will have to rely solely on the patronage of people from Washington, not the dual city patronage that they had, and they know that, and where they will be in competition with two other transatlantic lines, whereas at Friendship they had no competition on London service.

When I asked those gentlemen—and I know them pretty well—"Why are you doing this?" the only answer I got from them was, "Your Government has announced in tones loud and clear that Dulles is the National Capital's airport, and we must fly from there," and so there it is.

Now, we have seen other flights transferred from Friendship over to Dulles that were enjoying the patronage of both cities, without complaint, involving less travel time for many of the people—even from the bus terminal at 12th and K Streets, to planeside. And I add in the word "planeside," because there are 20 minutes' travel on these mobile lounges at Dulles which we don't have, because our planes come up within 50 or 100 feet of the terminal building.

Yes, we are forced to rely on what might be called circumstantial evidence. And our complaint is not only against the Federal Aviation Agency's handling of Dulles in relation to Friendship, but also Washington National Airport.

After 13 years, almost 13 years of operation, we have at the present time 160 flights or movements, counting arrival and departures as 2, 160 a day, whereas Washington National Airport, I am informed, has between 650 and 700 a day. And if that figure is incorrect—because some of those flights have already been shifted to Dulles—the people here will be able to correct the record and give the correct figure for it.

Now, let me tell you some of the difficulties under which we are suffering at Friendship.

I want to bring to the attention of the committee the fact that although Baltimore is the sixth largest city in the country, and one of the great manufacturing cities and seaports, and we have a great deal of air traffic between Baltimore and New York, we presently have only 6 flights daily between Friendship and Newark Airport, which is the downtown airport for New York, as contrasted with 26 daily flights from Washington National, and 7 daily flights from Dulles.

Let me say this to you, Mr. Chairman, and gentlemen: In those six daily flights we have a gap in the morning of 8 hours and 30 minutes between two of those flights, and in the afternoon, we have another gap of 5 hours, 15 minutes.

To Detroit, we have three flights daily, with two and three stops.

We have a great many people who travel between Maryland and Detroit.

We have one nonstop flight at midnight.

From Washington National there are 15 daily flights. From Dulles there is one nonstop flight.

To Cincinnati, we have two flights with three or four stops. We refer to them as milk runs.

Washington National has seven.

Hartford, Conn.—we have no northbound service at all.

Washington National has five flights, and Dulles has one.

I could go on down this list, gentlemen, and show you the struggle that we are making to give reasonable and efficient air service to the people in this area—I say east of 16th Street, Washington to the Delaware line, up to York and Hanover, Pa.—and begging them to take service from Friendship, even though they may have to wait for a flight that is inconveniently timed, or even use a connecting flight sometimes, in order to try to repair the damage that took place in the first decade, when all the service that we had at that airport was 250,000 to 300,000 passengers a year, Mr. Hemphill—when Washington National was carrying 4½ and 5 million.

And, as a consequence of that, air utilization in the Maryland area suffered.

During that first decade, hundreds of thousands of people in our area were forced to go to Washington National for the most elemental form of air service. They resented that, and, as a consequence, many of them used trains to go to New York, and go to other places where they wanted to go. And we were not airminded.

Now, in the last 2 or 3 years, and particularly since the jet traffic came, we have done our best to repair that service.

I heard Mr. Halaby suggest today, in his urbane and very persuasive way, that what we should do would be to promote traffic in our city. I had hoped to see him after he left the stand. I wanted to give him a little sticker he might put on his automobile. We have given out 50,000 of these, Mr. Chairman, and we are now waiting for the next 10,000 from the printer.

It would be fine—I have given one to Mr. Ward Hobbs here. I hope to see it on his car.

But, in addition to that, we are the only airport that I know of in this country—to compile and distribute flight brochures which list every flight between Friendship and some 91 cities arranged alphabetically, together with the return flights; and we have done this in order to increase air traffic.

Now, in addition to that, we have as you know, gotten an appropriation from the city for promotional purposes. Some of you know that I am a public utility man. I have been brought up to believe that the way to help your company is to promote, and so I believe in promotion.

We have this appropriation. We have $90,000—and I think I can get another $50,000. And we are asking the various business enterprises and other organizations in our area to say to their employees that they recommend that they use flight service out of Friendship. Where it is for company business, they order them to do it.

Where it is for their personal business, they advise them to do it.

98-155—63——6

I would like to say to you, and I would like Mr. Halaby to know this, that even before we started this campaign, some 35 large companies have done this voluntarily—and they have an aggregate employment of some 60,000 employees. We expect to raise that number to 150,000 employees, and we have done other things to promote business over there.

But it is the old question of the chicken and the egg. What do you do first?

Can you promote travel out of Friendship without the air service?

Or do you have the air service available, and then get the travelers to make use of it?

That is the thing we are up against.

No matter how you regard this thing, how careful you are in sizing up the situation, it is impossible for me to believe—and I know that thousands of my fellow citizens in Maryland so believe—that we can cope with the combination of the Federal Aviation Agency and the Civil Aeronautics Board, a quasi-judicial agency, required to render decisions on the basis of submitted evidence, and also required by the act which formed that Board to encourage and promote air service. We have suffered from it, and, therefore, we devoutly believe and recommend passage of bills that you and our other Congressmen have put in, to correct this anomalous situation where regulatory agencies operate facilities in competition with other facilities under their Federal regulation. It is just about the same as the Interstate Commerce Commission owning and operating several railroads in competition with the New York Central, the Pennsylvania, and so on—it is indeed an anomalous thing.

Last year when I talked with Mr. Halaby about this situation, he told me that it was the only place in the United States that he knew of where such a condition existed.

And so I say to you, that while we have only meager tangible evidence to file with this committee, we firmly and sincerely believe that the overpowering combination of the FAA and the CAB is wreaking havoc with the ability of Friendship to give people in our area good service. We liken this situation to the Biblical incident when Isaac said, "It is the voice of Jacob but the hands of Esau."

That is what we are suffering from.

Mr. FRIEDEL. Mr. Crane, that statement—what was that airline?

Mr. CRANE. Pardon?

Mr. FRIEDEL. You have a statement there from the Chief Counsel of the FAA to an airline. What airline is that?

Mr. CRANE. Well, this one is to the Braniff, and the other one was to the Eastern.

Mr. FRIEDEL. This letter will be inserted in the record.

(The letter referred to is as follows:)

FEDERAL AVIATION AGENCY,
Washington, D.C., March 5, 1962.

Hon. ALAN S. BOYD,
Chairman, Civil Aeronautics Board,
Washington, D.C.

DEAR MR. CHAIRMAN: We have obtained a copy of the airport notice dated February 23, 1962, that was filed with the Board by Eastern Air Lines, Inc. This notice, filed pursuant to section 202.3 of the economic regulations, states that Eastern Air Lines, Inc., proposes to serve Washington, D.C., with jet aircraft through the use of Friendship Airport, Baltimore, Md.

The use of an airport near Baltimore, Md., to serve Washington, D.C., is unsuitable and, as you know, Congress has authorized the construction of Dulles International Airport to serve Washington, D.C. This major airport will be completed on or about October 1, 1962. We have no objection to the use of Baltimore Friendship Airport by Eastern jet flights serving Washington until the opening of Dulles International Airport. However, the airport notice filed by Eastern does not limit the proposed use of the Baltimore airport to this temporary period; and the Board's approval of this notice might be construed by Eastern as authorization to serve Washington, D.C., through the Baltimore airport even after Dulles International Airport goes into operation.

For these reasons, we respectfully request, on behalf of the Administrator of the Federal Aviation Agency, that the Civil Aeronautics Board notify Eastern Air Lines, Inc., that the Board's approval of the use of the Baltimore Friendship Airport for jet flights serving Washington is limited to the period until Dulles International Airport is in operation. This clarification will enable Eastern Air Lines to avoid entering into long-term leases or other commitments at the Baltimore airport through a misunderstanding of the effect of the airport notice procedure.

Copies of this letter will be mailed today to Eastern Air Lines, Inc., and to the persons upon whom the airport notice was served, as shown on the enclosed list, in order to apprise them of the Administrator's opposition to the use of Baltimore Friendship Airport to serve Washington, D.C., after Dulles International Airport goes into operation on or about October 1, 1962. The Administrator reserves the right to formally object to the use of the Baltimore Friendship Airport by Eastern Air Lines, Inc., for its jet flights, and to request a hearing in connection therewith, in the event it should become necessary for him to do so.

Yours very truly,

DAGGETT H. HOWARD, *General Counsel.*

Mr. FRIEDEL. Do you know how many jet flights were taken out of Friendship?

Mr. CRANE. Yes, sir; they took 40 percent of them. They took about 35, and we have about 40 left.

Mr. FRIEDEL. You had about 75 flights a day?

Mr. CRANE. We had about 75 movements. We call the incoming and outgoing as two. That is customary. They took away about half of them.

Mr. FRIEDEL. Have they restored any?

Mr. CRANE. Well, yes. That morning jet from Friendship down to Miami was such a flop at Dulles that they did bring that back. But that left us with a very inconvenient return jet which you referred to earlier in the day. If you want to come up from Miami at the present time, Mr. Chairman, you can leave there at 2:45 in the morning and get up at Friendship at 5 a.m.

Mr. FRIEDEL. Do you know, prior to Dulles, what was the load they used to carry to Miami, Fla.?

Mr. CRANE. I think the travel was very heavy. I don't happen to have those figures with me. But it was quite substantial.

And, bear in mind, that we were handling both Washington and Maryland jet traffic at that time.

As you said this morning, we have asked airlines time and again whether they have had complaints about people coming over to Friendship from Washington—that is, especially from the Northwest section—and we have been told that the number of such complaints is negligible.

Now, it is perfectly reasonable that people who live on the other side of the Potomac River will find Dulles a more convenient airport or if they live near the Pentagon, they will find Washington National more convenient. We would have no claim on such patronage.

Mr. FRIEDEL. I am trying to hurry this up.

Do you know what the load was on BOAC?

Mr. CRANE. Yes; I do. BOAC handled last year 10,100 passengers out of Friendship. That is going and coming. And they had a very fine freight business, which was growing. And right before they left, their manager was talking to me about the possibility of getting some more freight space.

Here is a line, Mr. Chairman, that lost $38 million in 1961. How can anyone rationalize such a carrier going to another airport where their charges are three times as high?

Mr. FRIEDEL. Do you know what their load is in Dulles?

Mr. CRANE. Well, they only left us on March 4 or 5, so I don't know how they are making out.

Mr. FRIEDEL. If you could find that out, I would like to have it for the record.

Mr. CRANE. Well, we have to give them a few months.

I think it would be a most salutary thing to reduce this situation to one of normalcy by separating these regulatory agencies from the regulated.

Mr. FRIEDEL. Mr. Crane, I think that bears out what I said earlier this morning. An airline losing a lot of money, and going to another airport where it is going to cost them another million dollars, it doesn't make sense, unless there was something, some persuasion—I don't know what it is. But it doesn't make good business sense to do what they did.

Mr. CRANE. I don't see how it could be. I know you have these figures, but I would like to say for the benefit of Mr. Hemphill that last year, 1962, we had a passenger throughput of 1,435,000 passengers, 3 or 4 times as much as it used to be before we got religion, so to speak, and the jets came over; but Washington National had about 5 million.

I would like to give you, sir, an indication of the frugality of operation practiced at our airport. We were given by the city of Baltimore about a million dollars to run that airport and provide for maintenance in 1962, and we gave back to the city of Baltimore $1,625,000, on a small throughput of 1,435,000 passengers.

Now, there is just one other thing I want to say to you——

Mr. HEMPHILL. Since you addressed that to me—I don't know why——

Mr. CRANE. I knew the chairman knew about these figures.

Mr. HEMPHILL. I am happy to have you address anything to me. You might enlighten me, though, when you criticize the service people are getting—I have been trying to get a major airline to stop and do some mail service to the people of the Carolinas at Charlotte. They won't do it because they say they would lose some money. It is costing the business community of Charlotte $150,000 to $200,000 a year. But they don't give a hoot about that. All they want is the gravy.

So don't complain to me about the service, because we have got it, too. My taxpayers have got it.

If you find any way to improve the service, you call me collect, and I will pay you for the advice.

Mr. CRANE. Thank you, sir.

Recently we have written to about a dozen cities telling them what we would like to do is establish a morning flight, not only from Friendship to Charlotte, or Charleston, but also from Charleston to Friendship and back.

Mr. HEMPHILL. I prefer Friendship to Dulles, and I would agree with you that maybe Dulles had not ought to have been built. But since it has been built, I reckon they have to operate it. And I don't think the question here is Dulles and Friendship. The question here is the efficiency of the operation which must be performed under the duties and responsibilities which Congress has placed in the hands of the Federal Aviation Administration. That is the sole question here, not whether or not there has been some discrepancy.

I want it understood that the real issue here is not whether or not there has been some Government interference. I am not quarreling with you on that.

I would like to see you build some transportation into Friendship, because I like Friendship Airport.

But I don't want to think that is the issue before us.

The issue is efficiency of administration. And I am sure you are interested in that as well as I am.

That is the reason I was very much interested in what has been taking place here. Because any time you can improve the efficiency of Government——

Mr. FRIEDEL. I think we are overlooking one fact here:

I think this goes a little beyond your statement, because we were talking about profit and loss. We have been talking about running it with efficiency and making the airport pay. And, for some reason or another, they are overlooking two facts: One, that they overestimated the usage of the three airports. They thought they would need all three airports in 1963. It looks like it will be about 1970 or 1975.

But the other thing being overlooked is that Maryland, South Carolina, paid taxes for Dulles. We are the taxpayers, too. We paid our money to create this monument, or maybe I should say it was taken for this purpose.

So now in turn, because we helped to pay our share, don't cut our throats, and take away what we have fought so hard to get, and earned by advanced planning. That is the point I argued with the FAA about.

Mr. HEMPHILL. The taxpayers of Maryland and South Carolina, I suppose, paid for some things in Charlotte, too, and they can't get the service there they want.

But there isn't any use here in attacking this administration, which admittedly is doing a fine job, for any mistake of judgment that was made either in the construction of Dulles Airport or in the estimate mentioned of the number of people by such and such a date.

Mr. Halaby had nothing to do with that, and neither did I. I am sure the distinguished chairman had nothing to do with it, and I am sure you had nothing to do with it.

Mr. CRANE. Mr. Hemphill, let me say I question the efficiency of their operation, not only with respect to Dulles, but also in the way that they have concentrated this service at Washington National. And it has been notorious, the overcrowding of Washington National. Articles have been written about it.

I am not only shooting at Dulles.

Mr. HEMPHILL. Let me tell you about Washington Airport. I use it, and I use it because I can get back and forth quickly. It takes me 7 or 8 minutes from my office. And if we had some effectual means

of transportation to Friendship, in which someone could get there in 15 minutes, I am satisfied you would reap the benefit.

When I go to New York, which is rare, I go into LaGuardia, because I cannot get to New York any quicker. And that is one of the issues here, which was testified to this morning, the facility of transportation. And that is something you are interested in, and I am.

I have told my distinguished friend here, you people, if you come into the Congress and say, "Build us some rapid transportation to Friendship," I would support it in the national interest.

But I don't think here we ought to compound the mistakes of the past and try to block the ambitions of an efficient Administrator to increase the efficiency of his operation because a mistake is made. He is not trying to gun for you.

Mr. CRANE. I understand exactly what the issues are here today, Mr. Hemphill. And I also understand this bill that has been produced would merge together these two operations—the one at Alexandria, which is profitable, the other one, which is a loss, so that you would have a consolidated figure, and it won't look so bad, and perhaps it might not require compliance with the original mandate of the Congress to make Dulles pay.

I understand what those issue are.

But I also say this—and I am talking more particularly about these bills introduced by the three Maryland Congressmen. And that is it would be far better for the air industry as a general thing if you would take from these regulatory agencies the power of competition with the airports they are authorized to regulate.

That is what I am talking about. And that, I think, sir, is the issue.

Mr. CRANE. I know that time is short, Mr. Chairman, but I have one more thing I want to say.

Here is a study put out by the FAA. It attempts to estimate the traffic at the two airports under their jurisdiction up to 1967. I see here it starts out with the traffic at Dulles last year of 56,000, and at Washington National of 4,892,000. They have projected that up to 1967.

They have gotten both of those airports up on the basis of over 4 million. And what has happened to Friendship in that time?

From 1,436,000 last year, it comes down to 1,076,000 this year, 878,000 next year, 956,000, 1,042,000 in 1966, 1,136,000 in 1967.

So while they are expanding, doubling the traffic at Dulles and Washington National, Friendship ends up by being 60 percent of what it was 2 or 3 years before.

Mr. FRIEDEL. Do you want to insert that for the record?

Mr. CRANE. Yes, sir.

(The document referred to is as follows:)

AVIATION FORECASTS FOR DULLES INTERNATIONAL AIRPORT AND WASHINGTON NATIONAL AIRPORT, CALENDAR YEARS 1963–67

Federal Aviation Agency, Bureau of National Capital Airports, Business Analysis and Forecast Division, November 1962

I. INTRODUCTION

The forecasts presented herewith were prepared by the Business Analysis and Forecast Division of the Bureau of National Capital Airports at this time to coin-

cide with the opening of the New Dulles International Airport at Chantilly, Va.

The new airport is expected to regain for Washington much of the air traffic that had been diverted to Baltimore as a direct result of the jet air carrier aircraft ban at Washington National Airport, and the relative proximity of Baltimore's Friendship Airport. It is also anticipated that some of the traffic currently utilizing Washington National Airport will be diverted to Dulles. This, in turn, will open Washington National to greater usage by elements of general aviation (business, commercial, and private), an activity that has been seriously hampered by congestion and lack of space at that airport.

The entire forecast is based on a number of assumptions of a general nature. These may be summarized as follows:

1. General economy of Nation remains firm: Normal growth with no serious recessions and no spectacular "bullish" trends.
2. Relatively little change in international picture: Alternating rises and falls in tempo of cold war accompanied by continuing "brush fire" military activities.
3. Continued experimentation with air fares by various carriers with the usual cooperation of the Civil Aeronautics Board and other carriers, but with the usual lack of definitive results.
4. Continued operation of Washington National Airport and Dulles International Airport by the Bureau of National Capital Airports as arm of the Federal Aviation Agency. Continued operation of Friendship Airport by Baltimore Authority.
5. Continuation of pure jet ban at Washington National Airport: The forecasts show both Washington airports individually, as well as the combined total for these two major civil air terminals. The forecasts cover the following major areas:

Aircraft operations	Airmail traffic	Air freight traffic
Passenger traffic	First-class mail traffic	Air express traffic

II. BACKGROUND

Air transportation in the Washington, D.C., area, specifically at Washington National Airport, has been seriously impaired in recent years by the ban on turbojet aircraft imposed by the FAA. As a result of this ban, a considerable volume of traffic which would ordinarily utilize National has been diverted to Friendship Airport in Baltimore. This volume has been variously estimated to run as low as one-quarter of a million and as high as three-quarters of a million passengers annually. Regardless of volume, there is little doubt, even in Baltimore, that there has been considerable diversion from Washington, D.C., to Baltimore.

Because of this somewhat unique situation, it is necessary to combine the traffic at National with that at BAL (Friendship) in order to arrive at any intelligent analysis of growth rates and growth pattern in the area during the last few years. It is likewise necessary to analyze each airport separately for the prejet era to establish some kind of cornerstone on which to build a "normal" growth pattern and rate. This is essential since it is almost certain that some, if not all, of the traffic previously diverted from National to Friendship will be rediverted from Friendship to Dulles on a gradual basis, commencing with the opening of that edifice in mid-November 1962, and that some traffic at National also will be diverted to Dulles.

The key to the volume of activity at any air carrier airport, anywhere, including National, Dulles, and Friendship, is the number of passengers. This is the controlling operating statistic used by the airlines in establishing their schedules and pattern of service at any location.

III. AIRCRAFT OPERATIONS TRENDS

Aircraft operations at National have been limited in recent years by several factors. Among these are space limitations, both on the ground and in the air, the changeover by carriers to larger aircraft, the ban on turbojet aircraft, and the reduction in public demand for carrier services resulting from the jet ban.

With the opening of Dulles Airport for air carrier operations November 19, 1962, it is expected that the overall volume of aircraft movements in the Washington area will increase substantially. However, activity at National will, in all probability, decline somewhat and then level off. The moderate overall decline at National will probably be the net result of increases in the military and

general aviation categories of a lesser magnitude than the anticipated decreases in the scheduled airline category.

The decline in scheduled air carrier activity at National is projected to be a continuing one, related to increased use by carriers of jet aircraft and better and more frequent connecting schedules at Dulles. More and more shuttle-type activities are expected at National along with increasing demand by general aviation aircraft for modern facilities. Such facilities have been limited since several general aviation airports in the Washington area have closed in the past few years. General aviation aircraft operations are forecasted to steadily increase at National through the 5-year forecast period, and beyond.

Military and general aviation operations at Dulles are projected to commence almost immediately with the opening date and to build quite rapidly. This, too, is related to the congestion situation at National, the constantly increasing public demand for such facilities, the lack of congestion at Dulles, and the aviation public desire to try out the new airport.

International air carrier operations are forecasted to commence in the spring of 1963 at a level comparable to the 1962 summertime level at Friendship. Through the forecast period, such operations are projected to increase at the rate of one additional daily round trip each year.

The actual record for the last 5 calendar years at National and the forecast for the next 5 calendar years at National and Dulles are shown in table I (also, see chart I of appendix).

TABLE I.—*National and Dulles Airport aircraft operations, calendar years 1958–67*

[In thousands]

Calendar year	National			Dulles				Total area
	Domestic carrier	Other	Total	Domestic carrier	International carrier	Other	Total	
1958	219	62	281					281
1959	249	60	309					309
1960	227	65	292					292
1961	219	71	290					290
1962 [1]	205	79	284	2		1	3	287
1963 [2]	180	77	257	36	2	13	51	308
1964 [2]	176	81	257	58	3	24	85	342
1965 [2]	172	85	257	68	4	32	104	361
1966 [2]	168	89	257	78	4	41	123	380
1967 [2]	164	93	257	87	5	50	142	399

[1] 11 months actual, 1 month forecast.
[2] Forecast.

NOTE.—1962 at Washington National Airport is severely depressed due to prolonged strike against largest operator at airport. 1958 and 1961 were likewise depressed by airline strikes, but to a substantially lesser degree.

IV. PASSENGER TRENDS

Forecasting is always a complicated and hazardous assignment for the person performing the function, whether in the field of airport traffic and economics, weather or any other area. Nevertheless, careful analysis and forecasting must be performed if there is to be a basic fundamental foundation for sound short- and long-range planning.

Many diverse factors must be considered in developing an estimate of expected passenger trends during the period 1963–67. Just to mention a few, consideration might well be given to the following factors:

(1) Safety.
(2) Impact of new marketing techniques.
(3) Businessmen air travel complaints.

1. Safety

This has always been one of the major aims and objectives of both Government and industry leaders and concern is evidenced by these recent statements by well-known aviation figures.

The president of IATA (International Air Transport Association) said at the annual awards luncheon of the Flight Safety Council on December 6, 1962, "The real need of civil aviation today is not, in my opinion, supersonic transport but the *establishment of a better safety record at a cost that will still leave air travel accessible in its price.*" [Emphasis supplied.] He added, "the public is scared far more by the frequency of accidents than impressed by optimistic reassurances of statistics."

W. A. Patterson, United's president, contends the current three-abreast seats and narrow aisles in coach sections are unsafe.

Continental's President Robert F. Six says, "The two biggest obstacles to air travel are fear and fare."

2. New marketing techniques

On the plus side, it is certain that the industry will continue to propose and adopt new methods. United is pressing its single class of service concept and feels there will be a real public interest in this move.

Another innovation which seems almost ready for implementation is a cooperative industrywide advertising program under ATA direction with a $5 million figure mentioned as the outlay in 1963.

3. Businessmen air travel complaints

Printer's Ink recently sampled a group of businessmen about air travel and came up with a list of complaints:

"Inadequate, uninformed, and for the most part uninterested counter and telephone personnel;

"Lost baggage—losing records after bookings are confirmed—bad connections;

"Delays not due to weather;

"Bad service at airports;

"Inadequate transportation to and from airports;

"Inadequate information on delays and not alerting passengers until the last minute;

"Food—contrary to airline claims, most passengers feel the food is bad, and

"Long walks from arrival or departure areas."

After weighing these and other considerations, it was concluded that there will surely be continued growth in domestic scheduled airline passenger traffic in the Washington metropolitan area over the next 5 years. The estimates in table II show that by calendar 1967, National and Dulles will handle a total of almost 8.3 million passengers compared with 4.9 million in calendar 1962. (See also chart II of appendix.)

Detailed discussion of the methodology used in arriving at these estimates appears in the appendix to this study.

TABLE II.—*National and Dulles Airport passenger traffic, calendar years 1958–67*

[Thousands of enplaning and deplaning passengers]

Calendar year	National			Dulles				Total area
	Domestic carrier	Other	Total	Domestic carrier	International carrier	Other	Total	
1958	[1] 4,459	[1] 75	4,534					4,534
1959	4,924	82	5,006					5,006
1960	4,631	95	4,726					4,726
1961	4,531	115	4,646					4,646
1962 [2]	4,775	117	4,892	55		1	56	4,948
1963 [3]	4,500	116	4,616	968	48	19	1,035	5,651
1964 [3]	4,400	119	4,519	1,796	90	36	1,922	6,441
1965 [3]	4,300	127	4,427	2,400	135	48	2,583	7,010
1966 [3]	4,200	134	4,334	3,046	197	61	3,304	7,638
1967 [3]	4,100	141	4,241	3,738	275	75	4,088	8,329

[1] Division between carrier and other is approximate.
[2] 10 months actual, 2 months forecast.
[3] Forecast.

V. CARGO TRENDS

Air cargo, mail, express, and freight combined, has been growing at a very favorable rate during recent years in the Washington area and this expansion

is expected to continue throughout the forecast period. Factors in this growth are a growing awareness by business concerns of the potential benefits of air freight in reducing inventory investment and a more attractive rate structure.

Table III shows an estimate of 168,100,000 pounds for calendar 1967, an increase of 67 million pounds (67 percent) over calendar 1962 (see also chart III of appendix).

TABLE III.—*Total enplaning and deplaning cargo, calendar years 1958–67*

[Thousands of pounds]

Calendar year	National	Dulles	Total
1958	64,231		64,231
1959	71,999		71,999
1960	80,030		80,030
1961	88,149		88,149
1962 [1]	98,100	2,530	100,630
1963 [2]	81,900	34,000	115,900
1964 [2]	80,080	50,620	130,700
1965 [2]	78,260	66,240	144,500
1966 [2]	76,440	80,960	157,400
1967 [2]	74,620	93,480	168,100

[1] 10 months actual, 2 months forecast.
[2] Forecast.

TABLE III–A.—*Mail, calendar years 1958–67*

[Thousands of pounds]

Calendar year	Airmail			First class mail		
	National	Dulles	Total	National	Dulles	Total
1958 [1]	17,735		17,735	8,867		8,867
1959 [1]	20,247		20,247	10,124		10,124
1960	22,080		22,080	11,735		11,735
1961	25,487		25,487	12,340		12,340
1962 [2]	26,100	480	26,580	12,600	518	13,118
1963 [3]	23,400	8,500	31,900	11,340	4,560	15,900
1964 [3]	22,880	12,520	35,400	11,088	6,612	17,700
1965 [3]	22,360	16,140	38,500	10,836	8,364	19,200
1966 [3]	21,840	19,460	41,300	10,584	10,016	20,600
1967 [3]	21,320	21,900	43,300	10,332	11,368	21,700

[1] Division between airmail and first class mail estimated.
[2] 10 months actual, 2 months forecast.
[3] Forecast.

TABLE III–B.—*Freight and express, calendar years 1958–67*

[Thousands of pounds]

Calendar year	Air freight			Air express		
	National	Dulles	Total	National	Dulles	Total
1958 [1]	25,086		25,086	12,543		12,543
1959 [1]	27,752		27,752	13,876		13,876
1960	29,332		29,332	16,883		16,883
1961	32,734		32,734	17,588		17,588
1962 [2]	39,700	550	40,250	19,700	982	20,582
1963 [3]	31,500	13,900	45,400	15,660	7,040	22,700
1964 [3]	30,800	20,900	51,700	15,312	10,588	25,900
1965 [3]	30,100	27,800	57,900	14,964	13,936	28,900
1966 [3]	29,400	34,300	63,700	14,616	17,184	31,800
1967 [3]	28,700	40,000	68,700	14,268	20,132	34,400

[1] Division between freight and express estimated.
[2] 10 months actual, 2 months forecast.
[3] Forecast.

APPENDIX

METHODOLOGY FOR SCHEDULED PASSENGER AND CARGO FORECASTS

V. APPENDIX—METHODOLOGY FOR DEVELOPING THE FORECASTS

A. Scheduled domestic passengers

1. An analysis was made of the volume of enplaning passengers at Baltimore Friendship and Washington National Airports in alternating calendar and fiscal year steps beginning with calendar year 1952. This revealed that from calendar 1952 through fiscal 1959, National Airport handled 91 percent of the combined area total passenegers in each of the 14 periods covered. Since that time, in five progressive steps, the National Airport share declined to 80 percent in calendar 1961.

Concurrent with this division of traffic between the two airports, the combined total of the two fell from 5.5 percent of total domestic U.S. enplanements in calendar 1952 to 5.2 percent in calendar 1954. From calendear 1954 until calendar 1961, the combined total fluctuated around 5 percent of the U.S. total, ranging as low as 4.8 percent and as high as 5.2 percent.

During the period that National handled 91 percent of the area total, the average growth at National in 6-month increments was 4.17 percent per step while at Friendship it was 5.04 percent. The combined area increase averaged 4.2 percent per step. Since fiscal 1959 the National growth per step has averaged 1.24 percent while Friendship has averaged 21.18 percent. The area total has averaged 3.72 percent.

2. With this background, a forecast of enplaning passengers in the combined Washington-Baltimore area was prepared by adding 4 percent per step in 6-month increments to the actual level experienced in fiscal 1961. The resulting figures were then divided between Washington and Baltimore on an 80/20 basis in calendar 1962 with the division increasing in two-point steps to 88/12 by calendar 1964 and remaining at that level throughout the balance of the forecast period.

3. At this point, the volume of enplaning passengers projected from Baltimore was dropped from further consideration and all further efforts dealt with the Washington portion only.

4. The number of passengers projected to be enplaned at Washington airports for the forecast period was doubled in order to arrive at total passengers.

5. The next step in this forecasting procedure was to divide the Washington passengers between Dulles and National Airports. In order to do this, some assumptions had to be made. During the first 6 months of calendar 1962, the average number of passengers per operation at National was 22.2 Continuing through the end of 1962 at this rate would require a total of approximately 217,000 operations. This appeared to be a reasonable expectation for calendar 1962 in view of the 227,000 in 1960, 219,000 in 1961, and 108,000 in the first half of calendar 1962. An assumption was made that approximately 50 operations per days (30 jet and 20 piston engine) would be utilizing Dulles for the last 6 weeks of 1962. At average loads of 30 passengers per jet and 20 passengers per piston-engine air carrier aircraft, these 2,100 operations would accommodate 54,600 passengers in calendar 1962. Using known schedules and anticipated revisions, it was estimated that during the first 6 months of 1963 an average of 70 jet and 42 propeller operations would utilize Dulles daily. These 20,384 operations, using the same loads, i.e., 30 and 20, respectively, would accommodate 535,080 passengers resulting in a total of 22,484 operations and 589,680 passengers at Dulles in fiscal 1963.

6. From this point on, the average passenger load per operation at Dulles was increased in 6-month increments from the 26.2 average in fiscal 1963 to 43 in calendar 1967. At the same time, it was assumed that a gradual decline in passenger volume would take place at National and the volume was therefore projected to decline by 50,000 every 6 months from the projected fiscal 1963 level. With the load per operation at Washington National Airport projected to remain steady at 25 passengers (latest experience), the number of operations was projected to steadily decline through the balance of the period.

7. With the total passengers for the two Washington airports forecasted in accordance with paragraphs 1, 2, 3, and 4 above, and with the volume at National Airport determined in accordance with paragraph 6, it became a matter of straight arithmetic to project the passengers at both airports for the forecast period.

B. Scheduled international passengers

The forecast of international passengers is primarily based on assumptions, because of the lack of any record of Washington as an international air travel market. It is felt, however, that the assumptions herein are reasonable and that the forecast in all probability may be on the conservative side.

With the number of international air carrier aircraft operations forecasted as previously described in Section III—Aircraft Operations Trends, the average passenger load was projected at 25 passengers per operation during calendar year 1963. Thereafter, every 6 months, the average load was projected to increase by 10 percent.

C. Military and general aviation passengers

Over an extended period of time, this category of activity has averaged 1.5 passengers per operation at National Airport. This same average load was projected to apply at both airports throughout the forecast period.

The results of the foregoing passenger projections are shown in table II, along with the actual record for the 5 previous years at National Airport.

D. Aircargo

The statistical records of FAA are limited insofar as cargo movements through National Airport are concerned. It is only since the middle of 1959 that detailed records of the four major components of cargo have been kept. These four components are airmail, first-class mail, air freight, and air express. Prior to that time, the records were kept to show only two components, i.e., mail (air and first class combined) and cargo (freight and express combined).

The volume of this traffic at National Airport since 1954 has shown a constant increase in all categories each year. The rate of annual increase for mail has ranged from 2 to 24 percent, averaging 15 percent. For freight and express, the rate has ranged from 5 to 23 percent, averaging 17 percent.

During the three fiscal years that detailed records have been kept, mail volume has consistently been divided two-thirds airmail and one-third first class. Other cargo has consistently been divided two-thirds freight and one third express.

In order to project future cargo volume, the forecasting methodology was as follows:

1. Using fiscal 1962 actual volume as a base, freight and express was increased each fiscal year by a diminishing percentage, i.e., 17, 15, 13, 11, and 9 percent, respectively. Mail was increased by 14, 12, 10, 8, and 6 percent, respectively. The resulting figures were in each case, divided two-thirds and one-third in order to arrive at the total cargo volume in each of the four categories for the Washington area. Calendar year estimates were placed midway between fiscal year estimates.

2. Based on historic trends and current levels, the average load per operation at National Airport was projected at 130 pounds of airmail, 63 pounds of first-class mail, 175 pounds of freight, and 87 pounds of express.

3. The volume of cargo at Dulles was projected to be the difference between paragraphs 1 and 2 above. This results in average loads of 225 pounds of airmail, 121 pounds of first-class mail, 368 pounds of freight and 186 pounds of express at Dulles in the first full year of operation—calendar 1963. These average loads increase to 239, 124, 435, and 219 pounds, respectively, by calendar 1967, the last period forecast.

4. The results of this procedure for calendar years 1963 through 1967 are shown in table III, along with the actual record for calendar years 1958 through 1962.

TABLE A-1.—*Washington passenger traffic compared with U.S. scheduled domestic airline traffic, calendar years 1958–67*

[Thousands of passengers]

Calendar year	Washington metropolitan area [1]	U.S. domestic traffic [2]	Percent Washington of United States
1958	4,534	48,300	9.4
1959	5,006	54,950	9.1
1960	4,726	56,350	8.4
1961	4,646	56,950	8.2
1962 [3]	4,948	60,000	8.2
1963 [3]	5,651	64,700	8.7
1964 [3]	6,441	67,850	9.5
1965 [3]	7,010	71,250	9.8
1966 [3]	7,638	74,500	10.3
1967 [3]	8,329	77,500	10.7

[1] Enplaning and deplaning total for Dulles and National Airports.
[2] Enplaned passengers.
[3] Forecast for U.S. domestic traffic is midpoint of the published fiscal year data.

TABLE A-2.—*Year 2000 projections for the National Capital region*

Item	1960	2000
Population	2,000,000	5,000,000
Total employment	875,000	2,200,000
Federal civilian employment	250,000	450,000

Source: "A Plan for the Year 2000—The Nation's Capital," report prepared by NCPC and NCRPC (1961).

TABLE A-3.—*U.S. population and industrial production projections*

Year	U.S. population (in millions)		Federal Reserve Board index of industrial production (1957=100)
	Total	Urban	
1920	105.7	54.2	26
1940	131.7	74.4	44
1960	179.5	125.5	108
1980 [1]	245.0	174.0	227
2000 [1]	331.0	248.0	470

[1] Middle-range projections used by Resources for the Future staff and consultants in its comprehensive appraisal of prospects for the U.S. economy.

Source: Resources for the Future—Annual Report 1961 (December 1961), Resources for the Future, Inc.

CHART I

FEDERAL AVIATION AGENCY

BUREAU OF NATIONAL CAPITAL AIRPORTS

NUMBER OF AIRCRAFT OPERATIONS

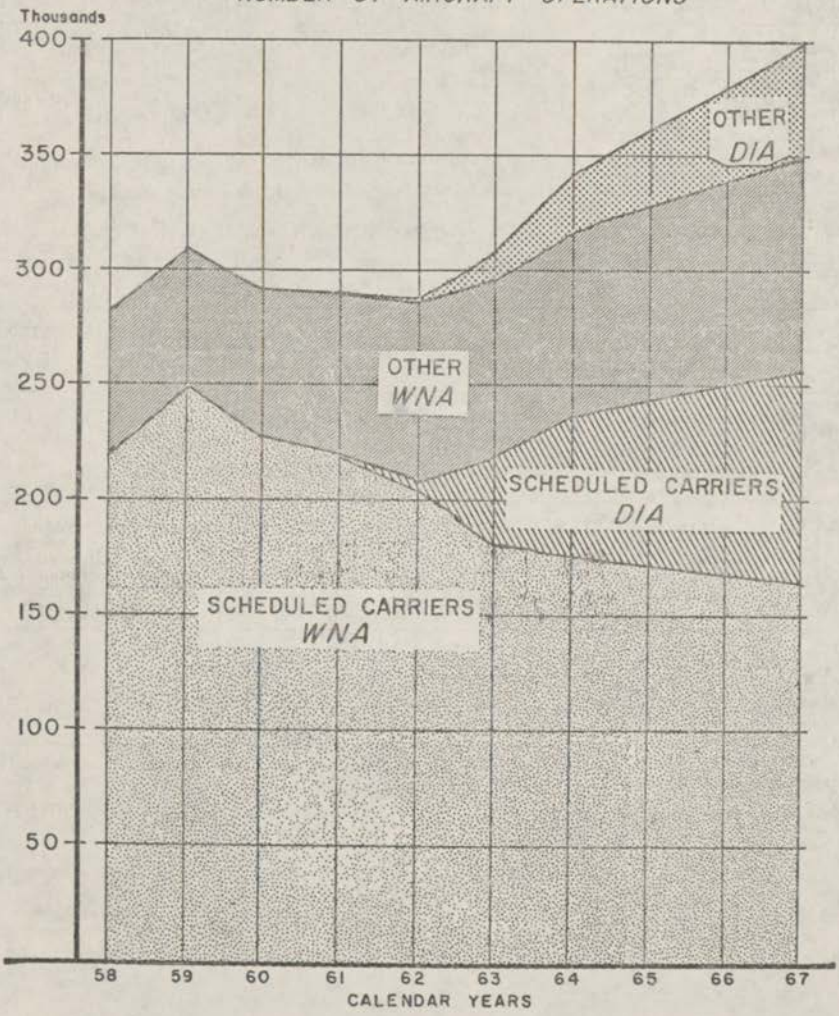


CHART II

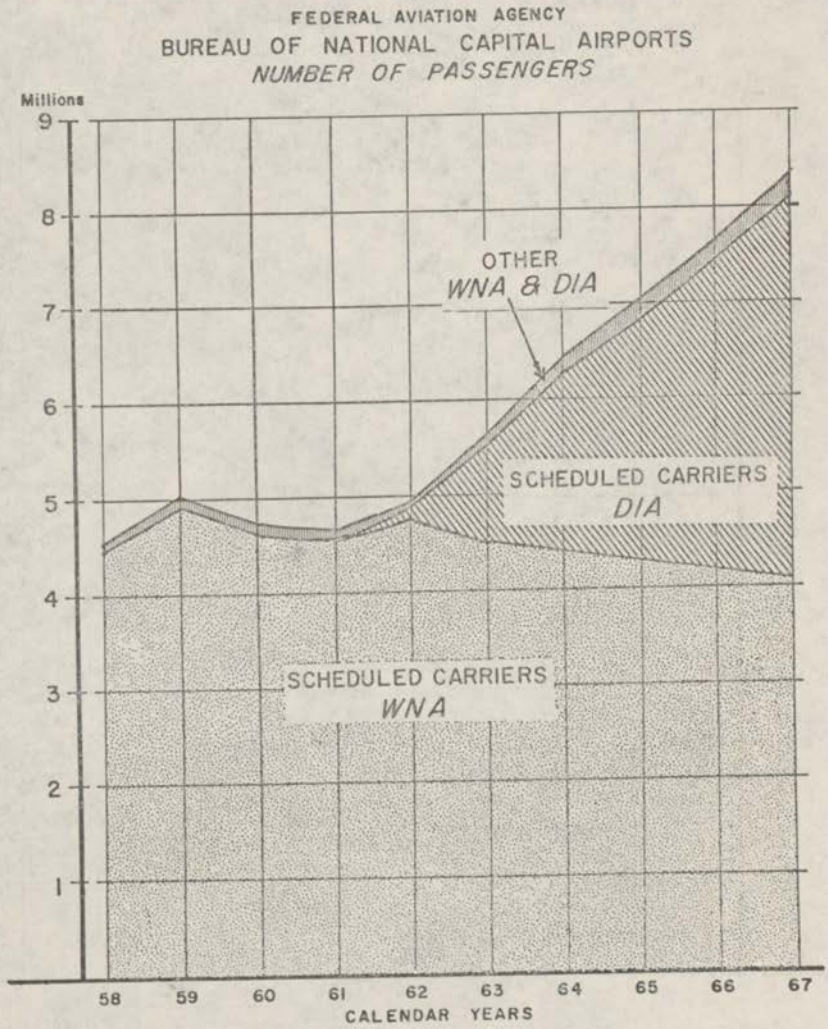
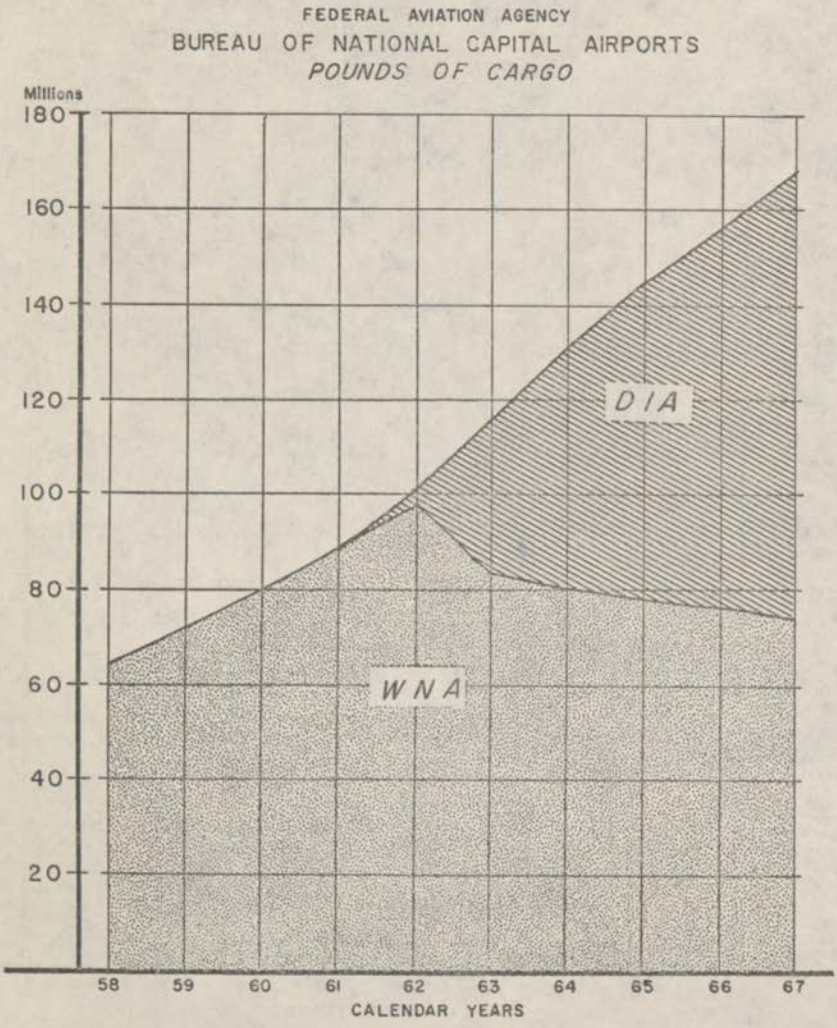

FEDERAL AVIATION AGENCY
BUREAU OF NATIONAL CAPITAL AIRPORTS
NUMBER OF PASSENGERS
Millions
9
8
7
6
5
4
3
2
1
OTHER
WNA & DIA
SCHEDULED CARRIERS
DIA
SCHEDULED CARRIERS
WNA
58
59
60
61
62
63
64
65
66
67
CALENDAR YEARS

CHART III


FEDERAL AVIATION AGENCY
BUREAU OF NATIONAL CAPITAL AIRPORTS
POUNDS OF CARGO
Millions
180
160
140
120
100
80
60
40
20
DIA
WNA
58
59
60
61
62
63
64
65
66
67
CALENDAR YEARS

Mr. FRIEDEL. Thank you, Mr. Crane.

Mr. Barnes, Baltimore Association of Commerce.

STATEMENT OF KARL J. GRIMM, TRANSPORTATION DIRECTOR, BALTIMORE ASSOCIATION OF COMMERCE

Mr. GRIMM. Mr. Chairman, I am Karl J. Grimm, the transportation director of the Baltimore Association of Commerce.

I submitted, last May, a formal statement on the position of the association on this question: That statement is reproduced in the printed records of the hearings of May 2, 3, and 4.

The position of the Association of Commerce of Baltimore today is the same as it was then.

The two things that I desire to speak on at the present time are, first, this question of conflict of interest which has been tossed around here all morning and most of the afternoon.

Mr. Halaby, on page 8 of his statement, stated that he did not believe that there was a conflict of interest, either in theory or in practice.

Now, I have the highest regard for Mr. Halaby, and his integrity, and I will take at full face value his statement that there has never been any effort to—on the part of the Federal Aviation Agency—to exert any pressure in this situation whatsoever.

The fact remains, and it is a very plain fact, that there is no need for anyone to exert any pressure. No one denies that the Federal Aviation Agency has certain regulatory powers over the airlines. And so long as those regulary powers exist, it is only ordinary human nature to expect that the airlines will come before the Federal Aviation Administrator on bended knees. He won't have to ask for anything. They will suggest.

It reminds me very much of the situation I ran into in a small town in which I lived a few years ago, where the circuit judge for the county was also the vice president of one of the two banks. I don't need to say which one of the two banks was by far the stronger. Nor do I need to say that that bank had an extremely excellent collection record. I remember I got a little behind a couple of days on a note, and I got a call from the judicial chambers, advising that perhaps it would be best if I made that payment.

Now, the bills which have been introduced by the chairman and Mr. Long, and others, creating the Board, an independent board to operate Washington airports, have been criticized largely on the point that the bills themselves do not—do nothing more than create a bare skeleton board without detailing what its powers and duties shall be.

In that connection, at the hearings last year, there were introduced some amendments to these bills which I prepared. Those amendments are, of course, not the whole answer to the question. But we felt at the time that they at least furnished some starting point by which the committee could consider filling out the flesh of the bills that had been offered.

From our standpoint, the problem here is not one of whether the Washington airport should be administered by a corporation or by an independent board.

The real question here comes down to one of conflict of interest—whether it is real or potential.

98-155—63——7

The potential certainly will exist so long as the Federal Aviation Administration has any regulatory power over the airlines.

That concludes my statement.

Mr. FRIEDEL. Mr. Grimm, I want to thank you.

I know your views of last year, I assure you that when the committee considers these bills your amendments will be considered.

Mr. GRIMM. Thank you, sir.

Mr. HEMPHILL. No questions.

Thank you, sir.

Mr. FRIEDEL. Thank you very much.

STATEMENT OF CHARLES ALLEN, CHAIRMAN, MARYLAND STATE AVIATION COMMISSION

Mr. ALLEN. Mr. Chairman, my name is Charles B. Allen, I am chairman of the Maryland State Aviation Commission, I am here merely to make a very short statement, to confirm the statements that have been made by Mr. Crane, representing the Baltimore City Airport Board, and others, in support and in favor of the bill under consideration.

We of the State aviation commission are as much and as vitally interested in the successful operation of Friendship Airport as are the people from the city of Baltimore and the surrounding counties.

We feel that aviation service and transportation to the communities of Maryland is much more important now than it has been in the past. We are confident in our own minds that the operation of the two airports in serving the city of Washington under an independent board will render us a position where we can at least receive favorable treatment without any regard to the financial, economic, or other operations of the airports as we fear and feel we have received under the operation of the airports by the Federal Aviation Agency.

We are of the opinion that the three airports now serving the Baltimore-Washington area, while they may not be needed to their full capacity at the present time, will at some time in the future be needed to meet the demands and ultimately there will be an additional airport needed to serve the Baltimore-Washington complex.

We are very much distressed at the apparent program that is now in activation. We have lost a number of flights. We are not receiving adequate air transportation within the State of Maryland at Friendship or at our other communities. The State has just recently completed a survey of air transportation within the State of Maryland. This is a matter of record with this committee. It is also a matter of record with the Congress and with the White House.

We are hopeful that we can be placed in a position where the airlines that serve the city of Baltimore will for once accept their public service responsibility and give the State of Maryland, through Friendship, and through our other communities, the services to which we are entitled, services which we are not at the present time, in the opinion of the State of Maryland, receiving.

Thank you very much.

Mr. FRIEDEL. Thank you very much, Mr. Allen.

Mr. Carleton Massey, county executive of Fairfax County.

STATEMENT OF CARLETON MASSEY, COUNTY EXECUTIVE OF FAIRFAX COUNTY, VA.

Mr. MASSEY. Thank you, Mr. Chairman.

My name is Carleton Massey, county executive of Fairfax County.

You will recall perhaps that I appeared here in May, as most of the others that have appeared before you this afternoon have indicated. And the statements made at that time are basic to the ones I would like to ask you to consider today. And I will not repeat them in that fashion.

I appear here on behalf of the board of county supervisors of Fairfax County, Va., interested solely in the portion of the matter before you that deals with the ultimate use of the airport access road.

Our board has consistently, working with representatives of the Federal Aviation Agency, felt that this must and should be retained primarily as an access road serving its prime purpose, at the same time serving the community in any fashion which would be possible that would not interfere with this main purpose of rapid transit between the District and the airport, and other areas served by the airport.

We had understood from the beginning, reiterated again 2 years ago by Mr. Halaby, that there was ample right-of-way acquired for this road to be used at a later date by some other agency which could afford or could arrange to construct service roads along either side of the two center lanes that now exist, or the center lanes going to the airport. This is our sole concern today—that nothing be done here that will prevent the use of that right-of-way as we have always understood it would be made available under appropriate conditions, the details of which I think would not necessarily be appropriate to go into this afternoon.

Mr. Chairman, really that covers everything that I have to say to you.

This road has as a major barrier, of course, separated numerous communities of Fairfax County, land and people, for miles, where they might have been next door neighbors a few years ago. We have felt that this is progress, and that we must live with it. We feel that these access roads alongside the main road would help remove this barrier from that standpoint, permit people to underpass where the underpasses now exist.

And, of course, we would like to utilize the main road for main traffic, including local traffic to such extent as it would not be detrimental to the airport traffic.

I thank you.

Mr. HEMPHILL. I think you made a very fine statement. I would like to ask you one question:

Does Fairfax County have zoning?

Mr. MASSEY. Yes; it does.

Mr. HEMPHILL. The area around the airport and adjacent to the access road, is it zoned in any way?

Mr. MASSEY. Yes; all of Fairfax County is zoned.

Mr. HEMPHILL. How are those portions zoned that are adjacent to the right-of-way of the access road?

Mr. MASSEY. Primarily, without undertaking to tell you specifically in specific locations, the general area through which the access road now passes will be zoned for what we call low density residential development, with the exception of a substantial plan of development in the Reston area, with which I am sure you are familiar, which contemplates industrial, commercial, high density, low density, and the general grouping of a planned community.

Mr. HEMPHILL. Does your zoning contemplate the use of jet aircraft, takeoff and landing, of all of the runways of Dulles?

Does it take into consideration the fact that the jets are going to be coming in and going out over people who are going to be screaming about noise abatement 10 years from now?

Mr. MASSEY. Very definitely; yes.

Mr. HEMPHILL. I just wonder how soon we are going to have some Virginians up here crying about noise abatement.

Mr. MASSEY. I could not comment on that now.

I am hopeful that the experience may not be as bad as the anticipation in some quarters.

Mr. HEMPHILL. You wait until you get some of these people up here that have taken the Federal money, and built a fine Federal airport, and then put the houses underneath it, and come up here and act as if we have done them a great injustice.

I want to ask you one other question.

I believe you said that Mr. Halaby stated some years ago that those portions of the right-of-way which are not used primarily for the access highway itself would be made available for roads to run alongside the access highway.

Mr. MASSEY. I don't think I made that positive a statement. I said he stated in a letter to Senator Byrd, in 1961, that this was an approach to providing service, and he would be delighted to cooperate in that fashion.

Mr. HEMPHILL. Is there room there for that?

Mr. MASSEY. He so stated in that letter; yes, sir.

Mr. HEMPHILL. If that were made available to Fairfax County and/or the State of Virginia, who would undertake the responsibility of putting in the extra strips of road?

Mr. MASSEY. It would almost of necessity have to be the Commonwealth of Virginia, since they are the only roadbuilders in Fairfax County. The county does not build or maintain roads.

Mr. HEMPHILL. Thank you.

Mr. FRIEDEL. Thank you very much, Mr. Massey.

Mr. Jack Klingel, administrator, Fairfax County Development and Economic Committee.

Mr. Livingston Goddard, chairman, Highways Committee, Fairfax Chamber of Commerce.

STATEMENT OF LIVINGSTON GODDARD, CHAIRMAN, HIGHWAYS COMMITTEE, FAIRFAX CHAMBER OF COMMERCE

Mr. GODDARD. Mr. Chairman, my name is Goddard, Livingston Goddard. I live in Fairfax County. I am here representing the Fairfax Chamber of Commerce.

Mr. Halaby said this morning that to the people of Fairfax County, the limited access characteristic of the Dulles Highway was unpleas-

ant, unpopular, and onerous. And I think that very able public servant did express accurately the opinion of the Fairfax residents.

Now, I am not here, sir, to discuss the question of access to the pavement, to the paved road. I think that issue has been discussed at great length over the last couple of years, and there is nothing I can add, or any organization can add to the discussion.

It would seem to me that this big, beautiful empty road, on the basis of the conversation this morning, is going to be empty for quite a lot of time ahead. But I am addressing myself to section 7 of the bill 826.

The Fairfax County Chamber of Commerce has authorized me to propose for your consideration an amendment to that—to section 7. And section 7, of course, is that part of the act, or the bill that we are discussing today that relates to the limited access highway, to the Dulles Highway.

And the proposed amendment that I will leave with the clerk and with you, reads briefly as follows:

The Corporation or any other Federal agency as successor is directed to transfer to the State of Virginia or any appropriate agency thereof upon the application of such agency the rights-of-way adjoining and parallel to the Dulles access road, heretofore constructed and to be constructed, to enable the construction of additional highway lanes within the right-of-way required for and parallel to such access road to meet local traffic needs.

Mr. Chairman, Mr. Hemphill, the purpose of submitting this proposal is really in line with what the Representative from Virginia, Mr. Broyhill, said this morning. He stated—and everything that we have heard today confirms that statement—that Virginia is ready to accept the obligation of constructing those additional rights-of-way, to give relief to the residents of Fairfax County.

This, in our humble opinion, would be an active magnificent stimulus to the economy. And it is something that we hope that this committee will incorporate in any legislation that it passes, or that Congress does pass, directing the Federal Aviation Agency to support the new Corporation, to transfer those rights-of-way to Virginia.

That is my statement. I am most appreciative of the opportunity of being able to be here and give it to you, sir.

Mr. FRIEDEL. Thank you, Mr. Goddard.

Any questions?

Mr. HEMPHILL. My recollection of section 7 of the bill—because my attention was called to it this morning—I will have a copy of the bill in just a second.

Mr. GODDARD. Section 7, page 8, Mr. Hemphill.

I think the real guts of the difference that we propose is the change from "authorize" to "direct."

Mr. HEMPHILL. "Under mutually acceptable terms and conditions," is the way section 7 at present reads. And that is the part I want to direct your attention to.

If we use your word "direct" instead of "authorize" and at the same time instead of saying "under mutually acceptable terms and conditions," wrote into that section language which would say in effect "under such conditions as will preserve the presently constructed roads as limited access roads," would that accomplish the same purpose?

Mr. GODDARD. Well, if it does accomplish the purpose—and I think that you have analyzed it correctly—this would certainly be acceptable to Fairfax.

I think that the objective would be to leave untouched or unchanged the limited access characteristic of the road for all the reasons that were stated today.

But that when it comes to the question of the outside lanes, the additional rights-of-way, then Virginia should have its opportunity to build on those rights-of-way, or if the agency that will direct the affairs of the Federal airport road is transferred to some other agency, that whatever other agency gets the right to control the road, it should be directed to turn over the outside lanes to Virginia—without changing the present intent of Congress regarding the limited access portion of the present pavement.

Mr. HEMPHILL. Of course, my question then would naturally be—when you speak of "outside lanes"—I had not heard that term used before.

Would those outside lanes be contiguous to the lanes presently in existence?

Mr. GODDARD. Yes. That whole right-of-way is 400 feet.

Mr. HEMPHILL. If they are contiguous and touching you destroy the limited access features.

Mr. GODDARD. I think the FAA representative here can clarify that, from a technical engineering point of view. But my understanding always has been this was contemplated, this was intended, and that the outside lanes can be so constructed so as not to interfere with the limited access portion of the so-called inner lanes.

Mr. HEMPHILL. Thank you.

Mr. FRIEDEL. Thank you very much.

Mr. FRIEDEL. We have with us Congressman Lankford. I will call on him at this time.

STATEMENT OF HON. RICHARD E. LANKFORD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. LANKFORD. Mr. Chairman, I have no prepared statement. I felt that much of what I would say has already been said, except that I want to emphasize some facts as to the conflict of interest between the jobs of FAA as a regulatory agency and that as an operating agency of two airports.

Mr. Chairman, I know you will remember in a meeting with Mr. Halaby when he said that his job was to make Dulles Airport pay, and that he was going to use every means he could to make it pay.

Now, we cannot point to any specific instances of pressure, except that the Chairman of the CAB, Mr. Boyd, said that if an airline wanted to be certified as serving Washington, they would have to fly into Dulles.

Now, we know that a great percentage of the people who fly out of the Washington area are closer to Friendship Airport than they are to Dulles Airport. This, in itself, seems to me is pressure, which takes away the convenience of air travel from the traveling public.

Let me just emphasize one thing, when we are on the question of influence.

The British Overseas Airway Corp., which did shift their entire operation to Dulles during the first week of March, gave as their reason for shifting to Dulles, "The FAA has pointed out clearly and em-

phatically that Chantilly will be the official jet airport for the National Capitol."

Now, here we have it right in black and white—despite the fact that a great, great percentage of the people who fly out of the National Capital area are closer to Friendship than they are to Dulles.

Now, we are not asking any preferential treatment for Friendship, as you well know. We simply ask that Friendship be put on equal basis with National and Dulles.

And we ask that this be accomplished by setting up an independent board, which would run Washington National Airport, and the Dulles International Airport, and take these operations out from under the Federal Aviation Agency, which is in a position to channel either directly or indirectly traffic into Dulles Airport.

Mr. Chairman, this is all I have to say. I am sure that much of it is repetition. But I cannot emphasize how strongly I feel, and how strongly the people of Maryland feel, how strongly the Governor of Maryland feels that we are frankly getting the short end of the stick on this, and that the people who are closer to Friendship than they are to Dulles are not getting the service which they deserve and need.

Mr. FRIEDEL. I want to thank you for your very fine statement. I think you have brought out precisely but briefly what we have been covering all morning and afternoon.

Mr. HEMPHILL. No questions, thank you.

Mr. FRIEDEL. Mr. Joseph Gearhart, representative of Herndon, Va.

STATEMENT OF JOSEPH GEARHART, REPRESENTING THE TOWN OF HERNDON, VA.

Mr. GEARHART. Mr. Chairman, gentlemen, I want to thank you for hearing me. I represent the town of Herndon, Va., which, as you know, is the only little town that is more or less astride the Dulles access highway.

At the time the land was acquired for this highway, there was sufficient land acquired by the Government to provide two ramps to and from the airport at the intersection of Route 657. There was also acquired sufficient land in the opposite direction to go to and from Washington, again at the intersection of Route 657.

There has been a lot said this morning about the past, perhaps misunderstanding of the past Administrator, and the fact that Mr. Halaby has inherited—and I must concur that he has inherited—a rather difficult situation there.

It is apparent that Mr. Halaby is maintaining the policy of his predecessor, because I don't believe he has any other choice under the present circumstances.

I do not believe that it was ever the intent that this roadway, which should be on a nonaccess basis, at a later date, when the airport is in full operation, that it should be that way. But to deny the people of Herndon, the only little community access and egress to this airport access road to Washington is something that we would like you to consider changing in your future bills.

Thank you very much.

Mr. HEMPHILL. Is Herndon incorporated?

Mr. GEARHART. Yes, sir.

Mr. HEMPHILL. Are you the mayor?

Mr. GEARHART. No, sir. I have been appointed by the mayor to represent him.

Mr. HEMPHILL. Is this the only way you can get to Washington?

Mr. GEARHART. No, sir. There were some other roads, and they still are in existence, that were used prior to the existence of the Dulles Airport.

Mr. HEMPHILL. Are there any roads not being used to get from Herndon to Washington now that were being used before they built the access road?

Mr. GEARHART. I beg your pardon?

Mr. HEMPHILL. Are there any roads you don't use now to get back and forth to Washington that you did use?

Mr. GEARHART. No. Frankly, Mr. Hemphill, what most of the people in Herndon do is perhaps what was referred to this morning by Mr. Halaby. Originally there were U-turns there, which have been chained off. That we know. In fact, it is a little bit of a dangerous situation, because Herndon is the only community on this highway that can offer the necessary medical facilities in the event there is an accident on this road, which there were quite a few this past winter. And those people had no opportunity at all to turn around on the once-upon-a-time provided U-turns, which have now been chained off.

Now, from a traffic standpoint, it is obviously not proper to use U-turns to go toward the airport, make a U-turn, and go to turn. What the people do now, they frankly drive up to the airport, which is approximately a mile and a half away, go over the bridge, and come back to Washington. It is the only method they have to go to Washington. Because the other roads that were in existence before, granted, have been considerably deteriorated through the last two or three winters. And, of necessity, when a good highway is there, on which there is practically no traffic at all, except on Sunday, when we see visitors going by, it is only human that the people in that area want to try to use that highway.

Mr. HEMPHILL. Thank you very much.

Mr. FRIEDEL. Thank you.

I would like to make one point right now.

We believe in fair competition. I just want to show how Maryland has been treating Dulles Airport and Friendship Airport.

Our State road commission, the Maryland State Roads Commission, are building a beltway around Maryland that leads into Virginia. They have completed the end that leads into Virginia, to go over the bridge, to go to Dulles, but they have not completed the beltway that will lead to the Baltimore-Washington-Friendship Road. We have been more than fair. In fact, we have made it easier for people to get to Dulles than to get to Friendship and this was done by our State roads commission.

Mr. HEMPHILL. Not only is it fair—but you have echoed what I said this morning about the ingenuity of Virginia in getting things out of other people.

Mr. FRIEDEL. Now, we have the Honorable Armistead L. Boothe, Virginia State senator, from Alexandria, Va.

STATEMENT OF HON. ARMISTEAD BOOTHE, VIRGINIA STATE SENATOR, ALEXANDRIA, VA.

Mr. BOOTHE. Mr. Chairman, Mr. Hemphill, first of all, sir, I want to point out that for a long time Maryland has gotten a great deal from Virginia, starting in the time of King Charles, when you got all the way up to the low watermark on the Virginia shore, on the Potomac River.

I am happy to say we are sharing that now.

Before making a very brief statement, I would like—Mr. Hemphill, you have shown a great deal of interest today in the zoning around the airport. And I think Carleton Massey misunderstood your question to some extent.

Actually, both Fairfax County and Loudoun County, one in the 10th District and one in the 8th District, do have excellent zoning laws. Fairfax, particularly, has zoned the area around the airport industrially, so as to give a wide buffer strip there for the planes taking off from the runways, so there will be no complaints.

One of the satellite cities which is contemplated, Reston, is so constructed between the runways that the flights will not go over it. That will be one of the biggest residential areas right near there.

Mr. HEMPHILL. Thank you.

Mr. BOOTHE. Gentlemen, in a very few minutes today, I want to say I am here as a citizen of northern Virginia, interested in section 7 of this bill, H.R. 826.

Section 7 is the one which would make possible the use by the northern portion of Virginia of what has been referred to as the four outside lanes. I think we should say that when the right-of-way for the Dulles Airport road was acquired, it was acquired 400 feet wide. The bridges which have been built in most instances, not only span the four inside lanes, as we call them, two going east and two going west, but are wide enough to span four more lanes. They would not quite be continguous, or adjoining. There would be strips between them. And I think that is a most important point for you to know.

In other words, they would not go into each other.

The thing which impresses me about this proposal—incidentally, the State Highway Commission of Virginia, Hon. H. H. Preacher Harris, has told the FAA that Virginia would be interested in acquiring these four outside lanes, in the outside rights-of-way. And both the commissioner and the Governor off the record have indicated it would make a very good location for a toll road which would be self-sustaining.

Now, a request has been made, informal request, by Mr. Harris of the FAA for the turning over of these lanes. And as the FAA has pointed out, they would certainly want to know that the roads were fully designed, engineered, and funded. And if these things were done, these requirements met, and a proposition placed before them, it certainly would be considered—I do not say it would be accepted.

Gentlemen, this is one of these happy proposals which are too few in legislative halls, where everybody could be made happy, at no expense to the Federal Government—if we can be certain that section 7 of this bill, even in its present form, or perhaps slightly modified, could be passed.

FAA would be happy, because it would retain the four inside lanes for exclusive use of the airport as an air road. The traffic would be unimpeded, it would be through and express traffic. Virginia would be happy, because it would then have an opportunity, along with the responsibility, to build a vital link in its 50,000-mile highway system in an area where it is most greatly needed, and where the burdens of traffic are the heaviest.

Thirdly, northern Virginia, including Fairfax County, Herndon, Loudoun County, will be happy, to get a road to relieve the frustrating and the incredible traffic congestion on their highways. And to get a road for once which at the time it is needed, instead of 10 years too late.

And, fourthly, the taxpayers will be happy because Virginia does plan to construct a four-lane limited access road, not at the general expense, but as a toll road, a facility which will pay for itself.

Congressman Broyhill, I understand, this morning, from what he told me, called the Commissioner yesterday and confirmed this himself.

Actually, I think we would even make the Air Transport Association happy. They testified they didn't want it put into the cost of the airport. And if this were done, the cost of the highway along the four other lanes and the rights-of-way could be taken out of the cost of the airport.

Baltimore, I believe, Mr. Friedel, would not be unhappy, because its citizens would perhaps be even positively happy to know that only four lanes would be made available to Dulles, and we won't be making eight lanes available to them in the definite future.

Lastly, and mostly, Congress would be happy, because all these benefits can be bestowed and all these blessings bestowed without one penny's cost to the Federal Government.

And I want you to consider, Mr. Hemphill, this is an example of Virginia's ingenuity to getting something built at no expense to you, and where we are using our ingenuity, not to get 100-percent aid, but zero-percent aid from the Federal Government.

Mr. HEMPHILL. I compliment the gentleman on being a living example of that ingenuity.

Mr. FRIEDEL. Sir—you said everybody would be happy—the FAA, you mentioned various towns of Virginia, and you presumed that the people in Maryland would be happy. But you have not said one word about Friendship being happy. I don't think Friendship would be so happy.

Mr. BOOTHE. Well, sir, if you continue this hearing until tomorrow morning, I will be back here, and overnight I will think up some way to make Friendship happy.

Mr. FRIEDEL. Are you opposed to the bill I sponsor, or in favor of it, or the airport corporation bill—or are you only interested in the access roads?

Mr. BOOTHE. We are interested really only in the access roads.

Mr. FRIEDEL. You are not in favor of either bill or against it, but just want to make sure you have use of the access roads?

Mr. BOOTHE. You put—if you put me on the spot and made me answer the question, I would do it for you. All we want is this:

Regardless of what form the bill or bills go through, just have this section 7 in.

Mr. FRIEDEL. You speak of this 400-foot highway, and say the FAA is using half of it?

Mr. BOOTHE. Yes, sir. They are using the inside part.

Mr. FRIEDEL. 200 feet on each side you would want?

Mr. BOOTHE. No, sir. Actually, as I understand—the whole right of way is 400 feet. They are now using approximately 150 feet in the middle.

Mr. FRIEDEL. In other words, what you are asking for is part of each side of the road, is that correct?

Mr. BOOTHE. Yes, sir. The rights of way have already been bought.

Mr. FRIEDEL. I understand. But they would be squeezed right there in the middle, and they couldn't expand because you would be on both sides.

Mr. BOOTHE. Mr. Friedel, it would not be squeezed. There is plenty of room for two lanes going west and two lanes going east outside of the existing lanes. You have got a median strip now, and two lanes west and two east.

You would have two more median strips outside of those lanes, and beyond that two more lanes still. And in most instances bridges span all of that.

Mr. FRIEDEL. Thank you very much.

The meeting is now adjourned.

(Whereupon, at 3:20 p.m., the committee recessed, subject to the call of the Chair.)

WASHINGTON, D.C., AIRPORTS

THURSDAY, MARCH 28, 1963

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS
OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 1302, Longworth Building, Hon. John Bell Williams (chairman of the subcommittee) presiding.

Mr. WILLIAMS. The committee will come to order, please.

This afternoon the committee continues hearings on bills which would establish a method of control over the operation of two airports in the city of Washington.

Mr. Friedel on the committee has indicated that he had several questions he would like to propound to the Administrator and the Administrator very graciously agreed to come before the committee this afternoon.

May I say that we will have to vacate this room at 3:30, so we will have to adjourn these hearings before that time.

Mr. Halaby, will you come around, please?

STATEMENT OF N. E. HALABY, ADMINISTRATOR, FEDERAL AVIATION AGENCY—Resumed

Mr. WILLIAMS. I believe you testified previously on this bill, didn't you, sir?

Mr. HALABY. Yes, sir; several times.

Mr. WILLIAMS. I wasn't present that day, but I believe you did testify, so we will let the record—if it is agreeable with the committee—show this as a continuation of Mr. Halaby's testimony.

Mr. HALABY. I have one thing I promised at that hearing, Mr. Chairman, which I can hand to you now. It is a letter enclosing the business policy that are now following with respect to these airports. That was in response to a question as to what we would do under the new Corporation in the way of business policies that we aren't already doing.

The second item is a table showing the Washington National forecast of financial results of operation, the Dulles International forecast, and the consolidated operation. I had made the point last week that in the operation of this airport, we were not really offering unfair or unjust competition to any other airport. In fact, we will be running a deficit operation at Dulles for several years, and to keep the deficit within limits, we will have to charge twice as much as comparable airports in many categories of cost. So that table is attached.

Then finally, I was asked to provide for the committee a comparative analysis of administrative costs associated with the two bills, H.R. 2081 and H.R. 826. I can perhaps, to make it easy, read the totals.

The table that I am referring to is entitled "Comparative Estimated Annual Administrative Expense." It is dated March 25, 1963. It is submitted in response to the committee's request. It shows that if the Congress enacted the Corporation bill introduced by the chairman, these annual administrative expenses would be approximately $854,000. If the Congress enacted the Airports Board proposal, the total administrative costs would be $1,106,000, a difference of approximately $250,000.

If I may give you these in an original and one, I think they are pertinent to this hearing as well as the previous one.

These are straight administrative expenses, Mr. Chairman. They do not relate to interest and depreciation and the capital base of the two airports. They are strictly administrative expenses of the headquarters, the costs of contracting services, personnel, legal, budget, administrative support. It assumes that the operational costs, the interest and depreciation, would remain the same in either case. These are strictly the administrative costs.

Mr. WILLIAMS. Let it be received for the record. Thank you.

(The document referred to is as follows:)

FEDERAL AVIATION AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., March 28, 1963.

Hon. JOHN BELL WILLIAMS,
Chairman, Subcommittee on Transportation and Aeronautics, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: In the course of my testimony March 19 before your subcommittee on H.R. 826 and H.R. 2081, I agreed to supply certain information for the record. Accordingly, there are enclosed (1) a statement of the Agency's business policy for the National Capital airports; (2) an estimate of the deficit that will be incurred at Dulles International Airport in the next 5 years; and (3) a comparison of the cost of operating the National Capital Airports under a Corporation as proposed by H.R. 826 and under the Board as proposed by H.R. 2081.

In my statement to the committee I cited, as an example of present fiscal inflexibility, an instance in which the Agency had to defer installation of parking meters pending appropriations even though anticipated revenues would have exceeded the cost of installation. Mr. Friedel inquired as to why the Agency could not contract to buy meters under an arrangement whereby the receipts would be used to pay the contractor as they accrued. My General Counsel advises me that such an arrangement is prohibited by R.S. 3732 (41 U.S.C. 11). That statute provides that "No contract or purchase on behalf of the United States shall be made, unless the same is authorized by law or is under an appropriation adequate to its fulfillment * * *."

Thank you for providing me the opportunity to present my views on this proposed legislation.

Sincerely,

N. E. HALABY, *Administrator.*

OA 5400.1
FEDERAL AVIATION AGENCY,
Washington, D.C., November 5, 1962.

Order.
Subject: National Capital airports business policy.

1. *Purpose.*—This order prescribes the business policy which will govern the administration and operation of federally owned civil airports under the jurisdiction of the FAA in the Washington metropolitan area.

2. *References.*—Title V of the Independent Offices Appropriation Act of 1952, passed August 31, 1951, sets forth the sense of Congress that airports shall be self-sustaining to the full extent possible. The basic policy of the executive department of the Federal Government is contained in Bureau of the Budget Bulletin 58–3 and Circular A–5 dated September 23, 1959. This business policy is also consistent with goal 19 of the horizon report dated September 1961.

3. *Background.*—This order has been prepared to set forth in concise, compact fashion the business policy to be followed by the Bureau of National Capital Airports. The policies and procedures in effect at this time have been reviewed and refined to develop a uniform, up-to-date business policy that can be applied to both Washington National and Dulles International Airports.

Establishment of this policy is in accordance with the recommendation of the Comptroller General of the United States in a report to the Congress on the operations of Washington National Airport.

4. *General policy.*—(*a*) All airports under the jurisdiction of the Bureau of National Airports will be operated on a self-sustaining business enterprise basis. It will be the objective of management to obtain full cost recovery in each major cost area with every user paying the costs of facilities and services provided them. Rates will be set at levels which will provide sufficient revenues to recover all expenses in each area.

(*b*) Concession contracts will normally contain a provision requiring a minimum annual guarantee sufficient to recover at the very least, full cost, and the guarantee will equal or exceed the rental rate for the space occupied, in addition to the standard provision of a percentage of gross receipts.

(*c*) The Bureau will select responsible contractors to furnish appropriate support services and concessions. They will be required to provide good service and products at fair prices to the public.

(*d*) The Bureau will select concessionaires and operators who will contribute to the appearance of the airports and will provide a quality operation commensurate with the decor of the first-class airports serving the Nation's Capital.

(*e*) Consistent with the policy, as clarified in 27 Federal Register 7054, July 25, 1962, that applies to arrangements for the conduct of aeronautical activities on public airports on which Federal funds have been expended, the Bureau will not grant exclusive rights for such activities on the Washington National and Dulles International Airports.

HAROLD W. GRANT,
Deputy Administrator.

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SCHEDULE G

NATIONAL CAPITOL AIRPORTS CORP.

5-year forecast of financial results of operation (1964–68)

[In millions]

Fiscal year	Direct operating costs	Interest and depreciation	Total operating costs	Revenues	Profit or (loss)
Washington National Airport:					
1964	$3.3	$1.0	$4.3	$4.4	$0.1
1965	3.4	1.0	4.4	4.5	.1
1966	3.5	1.2	4.7	4.7	----------
1967	3.5	1.2	4.7	4.9	.2
1968	3.6	1.4	5.0	5.2	.2
Dulles International Airport:					
1964	4.0	5.0	9.0	3.0	(6.0)
1965	5.3	5.3	10.6	3.9	(6.7)
1966	5.6	5.7	11.3	4.6	(6.7)
1967	5.8	6.2	12.0	5.3	(6.7)
1968	6.1	6.6	12.7	6.1	(6.6)
Consolidated operation:					
1964	7.3	6.0	13.3	7.4	(5.9)
1965	8.7	6.3	15.0	8.4	(6.6)
1966	9.1	6.9	16.0	9.3	(6.7)
1967	9.3	7.4	16.7	10.2	(6.5)
1968	9.7	8.0	17.7	11.3	(6.4)

COMPARATIVE ADMINISTRATIVE COSTS ASSOCIATED WITH H.R. 2081 AND H.R. 826

The Bureau of National Capital Airports presently receives staff support from other organizations of the Federal Aviation Agency for such services as personnel work, legal services, contracting, as well as overall management direction.

Under a Corporation as proposed in H.R. 826, these relationships would change little if any, and even if the Corporation were to reimburse other elements of the FAA for cost accounting purpose, only a shift in funding would result with no overall increase in Government funding.

Under H.R. 2081 (the Washington Airports Board proposal), the two airports would be administered under a five-man Board as an independent agency. As such, the Board would no longer have access to the present staff support segments of the FAA and would have to form within its own personnel framework completely self-sufficient staff organizations.

In the absence of any detailed knowledge of operating practices under H.R. 2081, the cost comparisons set forth below have been made under assumptions designed to offer the most conservative cost estimates for the board (commission) form of organization versus the corporation form of organization. These assumptions are:

(1) Nonsupervisory FAA man-hours now expended on airport matters would—in the long run—be eliminated from FAA budgets;

(2) The managerial system presently existing in the Bureau of National Capital Airports would remain unchanged under either form of organization;

(3) Under the board (commission) form of organization it would be necessary to add key supervisors for those specialized skills not now existing in the Bureau of National Capital Airports.

Estimated comparative administrative expenses under the two different concepts appears in the following summary.

Comparative estimated annual administrative expense

Item	Corporation	Board
Executive direction	[1] $14,400	[2] $201,500
Headquarters administrative expense	[3] 752,000	[3] 752,000
Contracting services	[4] 31,000	[5] 42,000
Personnel services	[4] 8,000	[5] 24,000
Legal services	[4] 36,000	[5] 48,000
Budget services	[4] 8,000	[5] 24,000
Administrative support services	[4] 5,000	[5] 15,000
Total	854,400	1,106,500

[1] Prorated portion of top-level FAA executive guidance ($10,000) plus estimated salaries and travel expenses of the Advisory Board members ($4,400).
[2] 5 Board members ($100,500) plus their executive assistants, secretaries, and travel expense ($101,000)
[3] Fixed amount for headquarters operation below the top executive level.
[4] Prorated portion of FAA supporting services performed for the Corporation.
[5] Estimated cost of staffing for this function as a completely independent agency or board

Mr. WILLIAMS. Mr. Friedel?

Mr. FRIEDEL. I am glad you brought that up. It is one of the things I wanted clarified. In a previous statement, you said it would cost around $100,500 more. Now you say it would cost $250,000 more.

Mr. HALABY. I don't recall saying what the total cost would be. I said the salaries of the five Board members would be $100,500 more. But that would be only part of the additional expense.

Mr. FRIEDEL. But you say the salaries would be $100,500 more under H.R. 2081. They would be more under H.R. 826, after incorporation, too.

Mr. HALABY. Yes, sir.

Mr. FRIEDEL. How do you arrive at those figures?

Mr. HALABY. I have just given the committee the breakdown. You might like to have one of those in front of you, sir. I will get another copy for myself here.

There are three things that I think you have to compare; one is how we do it now; second, how we would do it under the Corporation bill, and third, how you do it under a Board. In submitting these comparative costs, we have assumed that alternatives 1 and 2 are about the same. In other words, under the Corporation, we would have the same administrative expenses but we would be able to operate in a more businesslike manner. So we are comparing the way we do it now, which is basically the way we would do it under the Corporation, with the way we would do it under a Board.

The first item is that we charge for what we would do under the Corporation approximately $14,000 for what we call executive direction. Now, under the Corporation, there would be a slight difference, from the present FAA operation; namely, $4,000 for the Airports Advisory Board. We don't have one now. But under the Corporation bill, we would have an Airport Advisory Board. That is $4,000 of the $14,000. $10,000, we charge to the Corporation for what all of my top management does for the Corporation.

Some of your colleagues in Maryland think that is not much, or too much. But we have to charge something for the time and effort I spend and my Deputy spends and the rest of top management spends. So that item is $14,400. For the Board, we charge the full salaries of the five Board members, $100,500. So right there is a difference of $85,000.

Mr. FRIEDEL. Am I correct in thinking that you have no one spending full time at Washington National Airport or full time at Dulles Airport under your regimen now?

Mr. HALABY. No; we have several hundred people full time at each airport and we have, under our new organization, Mr. Hobbs as head of the Bureau of National Capital Airports. He has a Deputy for operations, who manages the operations at both airports. Then we have on site at Washington Natioanal and on the site at Dulles, operations managers. And under them, the total at Washington National of 332 full time and the present total at Dulles, today, or yesterday, 353.

Now, we are assuming in this cost breakdown in front of you that the costs of all of the headquarters people would be exactly the same under either the Board or the Corporation. We are assuming there wouldn't be any cousins and aunts, and so on, put in to what is now a professional organization by any of the Board members and the costs would be the same.

Mr. FRIEDEL. You say it would cost $100,500 more if the President were to appoint a five-man Board than it costs now. And Mr. Hobbs and his deputy——

Mr. HALABY. They would be on top of all our present employees.

Mr. FRIEDEL. They are now?

Mr. HALABY. No; they would be if he appointed a Board of five.

Mr. FRIEDEL. I am not following you.

Mr. HALABY. Well, what you are proposing, Mr. Friedel, is to substitute five Presidential appointees on a Board for me. That is a very flattering proposal, but it is a costly one.

Mr. FRIEDEL. Well, evidently we are not seeing eye to eye on that point. My point is that I am not opposed to H.R. 826, the Corporation bill, as such. I can go for any one of these bills under consideration, providing they separate you, the FAA, from the airport

Corporation or Board. In other words, I think the FAA, the CAB, and all of the other independent agencies should not operate the facilities they regulate. You have enough duties as it is without being an airport manager, worrying about concessions, building a hotel, and so forth. In your own statement you made on December 4, 1962, you said:

> We don't in the FAA run but two airports in the United States and those are Washington National and Dulles International and we are not too eager to run those two. In case anyone has any doubts about it, I can reassure him of that.

I want to grant you that wish. I feel it would be wrong to have the Interstate Commerce Commission run a railroad, I think it would be wrong for them to run a trucking line, and I think it is wrong for the FAA to run airports. You have control over every airport in the United States in the field of safety and that is a big job.

When we created the FAA from the old CAA, we outlined what your duties were to be. I think you have nine different things to do, not including running airports.

I want to relieve you of the responsibility of operating airports. I don't want you to have any more jurisdiction over Washington National or Dulles than you have over Friendship. That is the only place we differ. I think you made it clear last December that you didn't want to have anything to do with operating these facilities.

Mr. HALABY. I said that we were not too eager, and I repeat it today, Mr. Friedel. I also have to say that the administration has found no more desirable and economical way to do it than through this Corporation bill. It opposes the alternative that has been suggested, to make this a five-man board.

The first reason is that it would set up another independent aviation-type agency. I think we have enough of those already and so does the administration.

Second, it would be more costly by the amount of approximately $250,000.

Mr. FRIEDEL. I am not sold on my bill. I can go for the corporation bill. But the point I would change is that you would not control the Corporation.

Mr. HALABY. They don't get any salary. They get paid when they are actually meeting, and we have included that in the total administrative cost to the Corporation. That would make it $4,400 more than at present.

Mr. FRIEDEL. Well, in this bill the management of the Corporation shall be vested in a terminal manager. All that is fine. The point I make is that you are keeping your little finger on operating the airport. If you would accept an amendment that you are out of it, I could go along without any objection.

That is the thing. You want the Corporation bill, fine.

Mr. HEMPHILL. Would the gentleman care to yield to me while he is looking?

Mr. FRIEDEL. Go ahead.

Mr. HEMEHILL. I would like to invite your attention, sir, to some aspects I think we are going to face to get this bill to the floor.

We had some testimony here when we met in this room the other day on the monumental cost there as related to the rate bases for

various charges which the FAA has set. Would you give us some idea of your feelings as to the monumental costs involved? I was somewhat dubious about the thing when I heard it.

Mr. WILLIAMS. No question about the cost being monumental, is there?

Mr. HEMPHILL. Well, I don't think they meant that in a facetious sense.

Mr. WILLIAMS. I know what you are talking about.

Mr. HALABY. I think the distinguished Congressman is referring to the cost of the monument as much as the monumental costs. You know, after you have been in office 2 years, you sort of feel as though you shouldn't be critical of the past, you had better take it as you got it and do better. It did cost a great deal more than was planned. It took a great deal longer. We take it as a credit for this administration that we came in, took a hard look, told the Congress how much it would cost, told them when we would open it, and faithfully adhered to those two pledges.

Now, the total cost to date has been approximately $111 million. I think in the beginning, when you first consider this and Mr. Friedel first opposed this as he has consistently with great force and sincerity, you thought it was going to cost perhaps half of that, maybe even less than half of it.

Nevertheless, that is all history.

Now, the elements of cost making up the $111 million are roughly these: A special limited access road into the sky of approximately 18 miles of length, cost about $19.3 million.

It is in a sense an extension of the runway but only in an abstract sense, because it was felt if you put this runway so far from the city, almost 30 miles, that you had better have a high-speed way of getting into the airplane and onto the runway. So in a sense it is the longest runway in the world, but in another sense it is a highway and it can become, if the Commonwealth of Virginia designs and funds or legislates, it can also become alongside this high-speed access, a commuter road. It was therefore our feeling that that $19 million should not be attributed to the airport. There was some debate upon that, but we felt that the wise thing to do was to exclude it. That brought, then, he capital base down from $108 to $90 million.

The next item that we felt should be excluded along the line of reasoning that Mr. Friedel was referring to a moment ago, if you treated this like another airport, 1 of the other 600 major airports in the United States, it would have been eligible for Federal airport grants and they would have gotten that from the program which has been in existence, was being phased out by the other administration but was brought back to life by this one.

They would have gotten an amount of $11 million under grants such as those htat Friendship got during its history of construction and expansion.

Therefore, we took the $11 million from the $90 million and the base came down to $79 million.

Mr. FRIEDEL. You are not saying that Friendship got $11 million. You are speaking percentagewise, aren't you?

Mr. HALABY. No, sir; I am saying, treating Friendship and Dulles as though Dulles were a Virginia airport, the Federal Government

would have given the Virginia airport $11 million on a proportionate basis to that which any other airport would have gotten.

Mr. FRIEDEL. I think all Friendship ever got out of the Federal Aviation Agency was $4 million, since they have been in existence. It is not $11 million.

Mr. HALABY. I will check that figure. I don't mean to say it was exactly, but proportionately.

So $111 million less $19 million for the roadway, less $11 million for the Federal Airport grant. The next item is for the mobile lounge. Now, this is, as you know, the most expensive and the largest automotive vehicle in the world. It is literally part of the airport.

It was designed into the terminal. We carefully examined whether we could do it cheaper by building fingers out. We found we couldn't, so we went ahead and bought them. But $1,700,000 of that was straight research and development money, and it is applicable, like research into all-weather landing, research into runway construction, and all other kinds of research to many other projects, so we eliminated that.

If you count that about $2 million, that will bring the total down to $79 million.

The last item which we eliminated as we would in any other airport was the control tower, because under the present act and policies, the Federal Government pays for the tower, and that is approximately $1,800,000. So that the net base, net capital base is approximately $77 million, sir.

Naturally, the airlines were concerned that we not charge them for those aspects of this airport that were not traditional, regular, standard airport items, because, as you know, based on the total investment, we recover from them in landing charges the depreciation and the interest, as well as the operational costs. I believe we have been fair. But even after doing all that, we still charge more than all but two or three other airports in the United States.

Now, on the other hand——

Mr. WILLIAMS. Are you suggesting that these costs be taken out from under the rate base and the rate base be $77 million?

Mr. HALABY. Yes, sir. I think my math has been a little rough here, but the exact amount in the capital base is between $75 and $77 million. I will do this precisely and give it to you for the record.

(The following information was submitted by Mr. Halaby:)

SCHEDULE C

NATIONAL CAPITAL AIRPORTS CORP.

Statement of asset values and capital fund at Dec. 31, 1962—Dulles International Airport

[In millions]

	Total program cost	Investment	
		Interest bearing	Noninterest bearing
1. Land acquisition and site preparation	$23.5	$17.8	$5.7
2. Buildings and structures	19.2	15.6	3.6
3. Utility systems and other facilities	32.9	25.1	7.8
4. Offsite access roads	12.9		12.9
Total, land, structures and facilities	88.5	58.5	30.0
5. Equipment (net)	5.4	3.1	2.3
6. Other current assets	.2	.1	.1
7. Unexpended appropriations:			
Offsite access roads	.8		.8
Other physical assets	14.8	14.2	.6
Operation and maintenance	1.1	1.1	
Total assets	110.8	77.0	[1] 33.8
8. Liabilities	.2	.2	
9. Net investment in Dulles International Airport	110.6	76.8	33.8
Total liabilities and investment	110.8	77.0	33.8

[1] Distributed as follows:

Control tower	$1.8
FAAP allowance	11.0
Access highway	19.3
Mobile lounge, prototype	1.7
Total	33.8

Mr. HALABY. I would point out that the great airports of the United States, in terms of size and traffic, such as Idlewild, Los Angeles, Miami, and O'Hare, have investments in the order of $150 to $350 million in them, so that even at $108 or $110 million, Dulles is not the most expensive airport built to date.

Now, a lot of the investments in those other airports, of course, come from the carriers in building hangars and maintenance shops.

That will be the next phase at Dulles. If the traffic demands it, the carriers will build or have built and lease hangars there. The investment—not the Federal investment but the total investment—will rise as the traffic rises.

Mr. HEMPHILL. Thank you, gentlemen. I yield back because I interrupted you.

Mr. FRIEDEL. Mr. Halaby, what I was referring to before—I will keep on this point right now. You got $111 million down to $75. I thought if you kept it up a little longer, you would get down to where it cost nothing. Where does sewerage come in? Does that come into the cost of the airport?

Mr. HALABY. No, sir.

I think you are referring to the $25 million sewerage interceptor. It never carried any FAA appropriation; it is not part of the $110 million here.

Mr. FRIEDEL. That is what I am saying. If it were not for Dulles Airport, it would not have to be spent.

Mr. HALABY. I see. You think we should charge the cost of the sewerage——

Mr. FRIEDEL. The overall cost. You started at $111 million, going down to $75 million; I think you might even get down to nothing. But if you go into the overall cost of this thing, you will find it will be way over $111 million and maybe you can justify some of this to be charged off for ratemaking. But I think it will come to $150 million before it is completed, rather than $111 million.

Mr. HALABY. I am very happy to report that we don't have the responsibility for the sewage out there in that county and all those areas.

Mr. FRIEDEL. But there were roadways built because of the airport, the sewerage will be built because of the airport.

Mr. HALABY. I guess some of the local residents would say they needed the sewerage anyway. Maybe not as big so soon. In any event, we pay sewerage charges in the Potomac interceptor, along with its other users.

Mr. FRIEDEL. How many mobile lounges do they have at Dulles Airport now?

Mr. HALABY. We have a program for purchase of lounges that is in direct proportion to the number of travelers we planned for, and the total on hand to date is 20. This does not include the experimental model, which we have written off and out of the capital base.

Mr. FRIEDEL. And they cost approximately——

Mr. HALABY. $238,000 apiece. The total cost, including the developmental cost, is about $6½ million.

Mr. FRIEDEL. And that is not in the figure of $111 million, either, is it?

Mr. HALABY. Oh, yes, sir. What is so easy for folks to forget is that although these things are on wheels, they perform the same functions and have the same utility as the long fingers that are built out at other large airports and which cost a great deal to build, a great deal to heat and light and keep up. And it is awfully hard for people to think of them as anything but buses for a narrow, limited, special purpose. But they are actually part of the terminal. And when we looked at that bill, we gulped, because that is the most, I think, anyone has ever spent for the least number of bus-type things. But then when we looked at the bill of redesigning what had been designed by the previous administration and building these fingers out to do the same job and completely redoing the airport, we found it was more expensive.

We got together with a whole bunch of people and looked over this cost and went over them with the airlines and then we went ahead and bought them.

Mr. FRIEDEL. Is there any request for any mobile lounges in this 1964 budget?

Mr. HALABY. Fiscal 1964 budget—seven mobile lounges. If the suggestion is that the way to cut off traffic into Dulles is to cut off the appropriation for the mobile lounges, that would be a very effective way to do it, because it would mean that we could not accommodate the customers of the airlines who are coming in there except in a most inconvenient, delayed manner. And it would also mean that we would reduce the revenues of the airport and prolong the day when we get in the black.

Mr. FRIEDEL. How many lounges do you have in operation?

Mr. HALABY. Twenty, sir, and one, the ex-model in the background.

Mr. FRIEDEL. Mr. Halaby, the last meeting we had—you were here, I think, two or three different times—you were asked:

Can you tell us of any instance where the FAA has used any pressure or tried to get the airlines to come to Dulles?

I am going back to a hearing that we had in the 87th Congress, and I read to you then a letter that was sent to Mr. Boyd, Chairman of the CAB, and signed by Daggett Howard, General Counsel. I am going to start on page 164.

Mr. FRIEDEL. Mr. Chairman, I would like to make a statement first.

Mr. Chairman, at the close of the hearing yesterday, my colleague, Congressman Brewster, filed for the record a copy of a letter which I think should be called to the attention of the committee, because it very definitely bears out the contention of the Maryland delegation that the heat, and a lot of it, has been turned on the airlines to force them to move their jet flights from Friendship to Dulles. This letter was from the General Counsel of the FAA to the Chairman of the Civil Aeronautics Board which, as we all know, has almost life-and-death powers over the commercial airlines.

Mr. HEMPHILL. That is your statement?

Mr. FRIEDEL. Yes.

On Wednesday—

I am still quoting—

I thought we had assurances from Mr. Halaby that the FAA would not put any pressure on the airlines. He did not say it exactly that way, but I got that impression.

The letter Congressman Brewster put in the record yesterday is worse than pressure. In this letter the General Counsel of the FAA says quite frankly that if the airlines do not move jet flights to Dulles, they would be taken before the judge—that is, the CAB, Mr. Boyd.

The letter does not make any claims that the flights should be changed for reasons of safety or for public convenience and necessity. It merely says that use of Friendship Airport to serve the Washington area is "unsuitable." "Unsuitable to whom," I asked.

Not to the public, not for public convenience and necessity, but unsuitable to the FAA.

Now, bear in mind, as was pointed out yesterday, that in a recent meeting with the Administrator, the Maryland delegation was told that the residents of Prince Georges and Montgomery Counties would be considered to be in the Washington area. That is almost ridiculous. It was considered at the time when we had the Washington National Airport, and they drew the line between Friendship and Washington, but now with Dulles, which is 30 miles farther away, they still use the same line through Prince Georges and Montgomery Counties, even though they actually are a lot closer to Friendship than Dulles any way you figure it, in mileage or driving time.

Let me read this letter to you and see what you think of it. I am not going to read the full letter. This letter is to Mr. Boyd, Chairman of the Civil Aeronautics Board, Washington, D.C., on March 5, 1962. And I am going to read the last paragraph.

The Chairman said: "Who signed that?" and I said "Daggett H. Howard, General Counsel."

"Copies of this letter will be mailed today to Eastern Airline, Inc., and to the persons upon whom the airport notice was served, as shown on the enclosed list in order to apprise them of the Administrator's opposition to the use of Baltimore Friendship Airport to serve Washington, D.C., after Dulles Airport goes into operation on or about October 1962. The Administrator reserves the right to formally object to the use of the Baltimore Friendship Airport by Eastern Airlines, Inc., for its jet flights and to request a hearing in connection therewith, in the event it should become necessary for him to do so."

I inserted the letter in the record.

Now, what does that letter say in your interpretation, Mr. Halaby?

Mr. HALABY. It says that the General Counsel of the FAA, who is also giving legal service to the Bureau of National Capital Airports, noticed a petition which would lead the public to believe that they were going to Washington when they were going to Baltimore, and that in view of the fact that the Congress had voted repeatedly for a Washington International Airport in a place other than Baltimore, that he wanted to notify the Board of this and that he did so.

In the reply of the chairman on page 166, you will see the effect that this letter had, which was very minor. And I must point out to the Congressman that the number of flights diverted from Friendship has not been very great as yet and may never be. And you, yourself, pointed out, sir, that at least one flight that had moved from Friendship to Dulles had moved back. I submit that if that letter were pressure, it wasn't very effective.

Secondly, it isn't pressure. It is simply a notice on the part of the General Counsel to the Board that this could have an effect on the congressional will. The congressional will was that an airport be built to serve Washington as well as an airport to serve Baltimore.

Mr. FRIEDEL. Now, Mr. Halaby, there is where we differ, because I was a Member of Congress when they appropriated the money and I fought it. I was also a member of the city council when they built Friendship Airport. It is Friendship International Airport, for oversea flight and for Washington.

Mr. HALABY. Because there wasn't a Washington jet airport.

Mr. FRIEDEL. Right. And the will of Congress did not say that all flights should go to Dulles or Washington International Airport and no flights at Friendship. It was never mentioned. They said then they were going to need three airports and they didn't exclude Friendship. They said there would be a need for all three of them.

Mr. HALABY. We have three of them now.

Mr. FRIEDEL. Their guess was wrong and they are way off schedule. I think by 1970 we might need three airports.

I am not opposed to any fair competition. But I say this: As long as the FAA has jurisdiction over Washington National Airport and Dulles, there will be some influence used.

I read an article stating there have been a lot of near-misses over Washington National Airport. Years ago, before you were the Administrator, Washington National was overcrowded. Friendship was just like Dulles today, a morgue. They wouldn't divert any flights over to Friendship. We worked over 10 years before we got into the black.

Mr. HALABY. Dulles is a quiet crib, not a morgue. The baby is growing up and I think that is what is disturbing Congress, that the child may grow too fast and the crib may become a whole household. But it wasn't anybody's doing but the distinguished Members of Congress, who said there shall be a third airport.

Mr. FRIEDEL. Right; but they also said there would be enough flights for three airports.

Mr. HALABY. And there will, sir. If you want to charge someone with something here, I think it would be our beloved friends in the last administration who in this instance planned way ahead and most generously.

Mr. FRIEDEL. I don't want to find fault with anyone. I just want to make sure that Friendship is not hurt because of the bad guesses that were made. Even if it was bad guessing by Congress, it was not a mandate to take all these flights out of Friendship.

Mr. HALABY. But they have only taken a handful of flights out of Friendship.

Mr. FRIEDEL. I think they have taken around 35 jet flights out of Friendship out of 75—40 percent.

Mr. HALABY. My numbers aren't quite those. But it is certainly a minority of flights. And I think the basic point is why did they leave Friendship to go to Dulles. You say it is because I have some great superhuman force or pressure. The only people who can move flights around are the passengers who want the flights, working on the Civil Aeronautics Board in a normal, open, due process way. And the carriers are merely the carriers. They are not in command of what the demand shall be. And if the jets are going to Dulles, it is not because I or Mr. Boyd forced them out of Friendship to Dulles, it is because the passengers and the carriers think that they are to serve Washington out of the Washington International Airport.

Mr. WILLIAMS. Will the gentleman yield?

Mr. FRIEDEL. I will be happy to.

Mr. WILLIAMS. Mr. Halaby, with respect to that, as I understand it, flights coming into Washington are ceritficated into Washington, period. But Washington at present for receiving those flights is limited to Dulles and to Washington National.

Mr. HALABY. Yes, sir.

Mr. WILLIAMS. Therefore, any jet flights that are certificated into Washington by the CAB must necessarily go to Dulles.

Mr. HALABY. That——

Mr. WILLIAMS. Since you have the National Airport restricted.

Mr. HALABY. I think the answer to that is right, yes, sir. What I am trying to recall is whether there are any carriers now who can serve Washington through either Dulles or Friendship.

Mr. WILLIAMS. That is what I am trying to find out.

Mr. HALABY. I would like some advice on that.

Mr. WILLIAMS. If they are certificated to Washington, they go to Dulles. If they are certificated to Baltimore, they go to Friendship, isn't that correct?

Mr. HALABY. I think your statement is correct. There are several carriers, of course, certificated to both cities and I think there is even one flight that lands both places. It is a rather expensive way to get between two cities.

Mr. WILLIAMS. Here is the point I am attempting to get. I think this is the crux of Mr. Friedel's question.

Mr. HALABY. Yes, sir.

Mr. WILLIAMS. Let's assume that airline X wants to get a flight certificated from the west coast into Washington. Under the present setup, if the Board grants that certification, they are automatically going to Dulles. What would be your position as operator of Dulles Airport, whether it be in your present capacity as Administrator or in this new hat that you are seeking as the head of the corporation; what would be your position with respect to a policy of the Civil Aeronautics Board in designating Friendship as an airport in the Washington area, giving the airline itself the determinaton as to whether this

airline that flies from the west coast to Washington would land at Friendship or at Dulles, provided, of course, that the ticket purchaser would be notified that he would land in Washington-Friendship or Washington-Dulles? What would be your position with respect to that?

Mr. HALABY. Well, it is a hypothetical question and I know it is asked to enlighten the committee. I would have to say this, that the travelers into and out of Washington are the primarily interested parties in this.

I am just in this situation of an airport operator. In other words, I am not the mayor or the city council, who are the ones who usually seek the assurance of service from the Civil Aeronautics Board and the carriers, and usually seek to have their service through their airport. That is the usual situation, and the question of whether I should do anything about that or not is a very strong one.

Mr. WILLIAMS. No; I say would you have strong objection if the CAB should adopt such a policy or consider the adoption of such a policy?

Mr. HALABY. I don't think I would. I feel that the Washington Board of Trade, or the District Commissioners, or citizens' groups who generate the traffic and are convenienced or inconvenienced might have some very strong views on this.

I guess——

Mr. WILLIAMS. That would be on the assumption that the ticket purchaer in Los Angeles would be advised that he would go into Washington-Friendship or Washington-Dulles as the case may be.

Mr. HALABY. Yes. Now, the Board may have some rules or criteria of its own that are governing on this. You know the great struggle between Dallas and Fort Worth. They tried to solve this problem by building an airport halfway between and they have changed the names of those airports and go through all kinds of interesting gambits to win the civic competition. Here, like there, we are in the uncomfortable middle and we are trying to husband Federal resources more than we are trying to get the maximum number of passengers into one terminal or another.

Mr. MACDONALD. Would you yield?

Mr. FRIEDEL. Yes.

Mr. MACDONALD. Mr. Halaby, we have been over this ground a couple of times now. I thought I understood it fairly well. But one thing that confuses me is that I think I have seen some figures which the FAA has projected into the future which indicate that there will be an increase of flights to Friendship, to National Airport, and to Dulles.

I though that we all assumed that that was incorrect. I don't know where you got the figures, but at least I hadn't seen any figures that disputed it.

But in the exchange or colloquy between Congressman Friedel and yourself, he called attention to the fact that Friendship will become, perhaps, a grave, and you compared it to becoming a crib. In other words, you, on the one hand—the figures show, that I have seen, the amount of traffic that the FAA estimates, at least, is going to increase and now you say that isn't necessarily so, it may well decrease.

Am I to believe the figures or yourself?

Mr. HALABY. I don't think there is any conflict, Mr. Congressman, except the phasing, which I think I explained last year. You will recall, perhaps, that before the jets came, there was a very low level of activity at Friendship Airport. They, too, were very imaginative and planned way ahead. And because the Baltimore area is at present at least more dependent on the automobile, the bus, the train, and the ship than they anticipated, there was not the buildup of traffic as they planned.

Then the jet came in and for the simple, arbitrary, artificial reason that the jet could not properly be accommodated by the Washington National Airport at Gravelly Point, they got an airfall, or windfall of flights into Friendship. There was no other reason that this rapid surge of jet traffic went into Friendship. If we could just take those facts and that problem and solve it rather than fight it, then I think we would move on to constructive action; that is to increase the total traffic. If the bumper guard said "fly now" instead of "don't use Dulles," if the campaign were to get more people in the city of Baltimore to fly because it is the safest and most economical and convenient way to travel, I would say, "Forward."

But the fear is that because we have three airports, one will lose some traffic that it artificially got while the total traffic builds up to require all three to operate at a profitable rate.

The data that we have shows that over the next 10 or 20 years, we are going to need these three airports and more, because of the expanding economy of the United States under this administration, because of the increased prosperity——

Mr. MACDONALD. This administration isn't going to last 10 years, because there is a law against that.

Mr. HALABY (continuing). Because of the fact that more people will have more money to spend on better and cheaper air travel.

Mr. MACDONALD. I don't come from your country and I don't know anything about whether I would say up Dulles or down Friendship. I am just trying to find out, actually, why the FAA—and on what yardstick they base the fact that while everybody in Baltimore, especially our very esteemed colleague from Baltimore, seems to feel this is the kiss of death to Friendship—the FAA comes up with hard and fast figures and says arbitrarily that there should be x number of flights by the year 1968 coming into Friendship.

How are these figures arrived at, who arrived at them, and I would like a little more information as to why this is the base of the leases given at the airports.

Mr. HALABY. This is an important question and the answer to it is that 4½ years ago an economic study was completed by the firm of Landrum and Brown——

Mr. FRIEDEL. Landrum-Griffin, did you say?

Mr. HALABY. Landrum and Brown—there were no Dixons or Yates in this study so far as I know. It was a study for the Eisenhower-Quesada FAA and it projected through 1975 the growth of traffic at Washington International and Washington National, and it made assumptions about the growth of traffic at Baltimore to Friendship.

I think the reason it hasn't been made public——

Mr. MACDONALD. I am a member of the public and I saw it. I didn't see it through this committee.

Mr. HALABY. I think that it has not been made public for reasons of negotiating with our customers.

You know, not the least of the problems of opening this airport on time was getting an agreement by the customers to use it and to use it at a cost in excess of the cost of Friendship. We have the continuing problem of getting the most out of the Federal dollars appropriated to these two airports.

Mr. MACDONALD. I would like to express my sympathy with the problem that you have. I am not by any means asking those questions in a harassing manner.

I voted for this program and will continue to do so because I think it is necessary, but it seems strange to talk about the demise of Friendship. I know because of my own experience trying to connect through to Boston on a through flight from Florida. Even now it is practically impossible to get a flight that stops at National and will continue on to Boston. I am faced with that fact, and then I heard you say that it is the customer that decides, and I give pause to think about that.

But then I see these other figures that though everybody in Baltimore, and you seem to agree, feels that Baltimore will be hurt, Friendship will be hurt—yet these figures say in black and white that there will be an increase of X number of flights to Friendship, to National, and to Dulles.

And I was just wondering who picked these figures out of the air and which air they were picked out of.

Mr. HALABY. I think the facts are important. These figures of the number of flights at Friendship on the date that Dulles opened—I think, Mr. Friedel, I have those figures now—there were 180 flights prior to November 19.

Mr. MACDONALD. That wasn't my question.

Mr. HALABY. I was referring back to a question that came before him.

Mr. MACDONALD. I hadn't heard an answer to my question.

Mr. HALABY. I am sorry. I didn't know there was any answer to your question. I think you want a comment, and that is that we don't think Dulles is a threat to Friendship. We don't think it was designed to make a tomb out of Friendship. We thought that the previous administration designed and built it and Congress authorized and appropriated it because a third airport was needed. Then we have the problem of developing it and using it.

Mr. Friedel said earlier that he could live with the Corporation bill but that he wanted the FAA out of it. And I can understand why. I don't think there is anything personal in it; it is just that you feel that the FAA should concentrate on other things.

But if he feels that way and if the committee feels that way, then they surely don't think there is any threat to Friendship. Because if the Corporation is OK so long as FAA is out of it, then Dulles is not the threat; it is something else that is the threat.

And I think the something else is that we would somehow use executive powers to hurt Friendship. I was pointing out that in November, the day we opened the airport, Friendship had 180 flights a day. They now have 152 according to our data. That is 28 out of the 180 flights they have lost. Now, I don't know whether that is hurting Friendship or not; I presume it is.

There are less landing charges being collected.

Mr. MACDONALD. Would you yield to me, Mr. Halaby?

Mr. HALABY. Yes, sir.

Mr. MACDONALD. I am delighted to hear about Mr. Friedel's problem. But my question doesn't go exactly to his problem. My question goes to the fact that it seems from past history that Friendship already has been hurt by the opening of Dulles according to him, already some flights have been taken. But my question goes to projection of figures that indicate to me, just from a layman's reading of them, in which the figures of National keep going up, I won't say astronomically, but go up; Dulles goes up astronomically, and Friendship goes up halfway between the projected figures for Dulles and National.

So I was just wondering, I repeat—you kept answering Mr. Friedel's question, but I was wondering how this can be, in simplest terms.

Mr. HALABY. Well, I naturally don't know the figures you have in mind.

Mr. MACDONALD. They are figures given out by your office, Mr. Halaby.

Mr. HALABY. All right. The figures that I have indicate that Washington National would go from 4.7 million passengers in 1963 to 4.2 million, or a half million passengers less, in 1968.

The Dulles figures go from approximately a half million passengers in 1963 to 4½ million passengers in 1968.

No, I don't have on this list what this economic consultant assumed the Friendship figures would be. I don't have those. I have never published those and I don't even know them. But it is my understanding, and I can verify this and give it to you directly, that the Friendship figures declined and then started back up.

That is my understanding.

What I think is bothering Baltimore, if I may say so, is how fast they start up and how far they decline.

Mr. FRIEDEL. Mr. Halaby, the first thing I want to say is that the bumper stickers you see, they don't use the word "Dulles" at all. They say "Use Friendship." They leave Dulles out.

Secondly, I don't see how the Washington National can increase. It is pretty well crowded as it is now.

Even when it wasn't crowded, we had trouble getting flights out of Friendship.

Here is what I don't understand. I read that letter from your chief counsel and you say the public are the ones to be consulted.

Mr. HALABY. Yes.

Mr. FRIEDEL. Now, you take a 50-mile radius around Friendship Airport, having a 4 million population. Take a 50-mile radius around Dulles Airport. It is 1,350,000 people. In other words, there are three times more people in the radius of 50 miles at Friendship than there is in a radius around Dulles.

Mr. HALABY. Are these people or air passengers?

Mr. FRIEDEL. No; these are people. Now, I take for granted that the way the figures are worked out is by percentage of the population.

Mr. HALABY. No.

Mr. FRIEDEL. Well, these are people.

Mr. HALABY. No, sir; you have to draw a circle of air passengers and potential air passengers, sir. When you do that, you find that

most of the air passengers are concentrated in Northwest Washington, and they are more proximate and conveniently accessible to Dulles.

That is the problem.

Mr. FRIEDEL. Our figures are altogether different than that. Take Silver Spring, or even go out into Pennsylvania Avenue, they are all closer to Baltimore within a 50-mile radius. There are passengers out there. If you use a radius 50 miles from Dulles or Chantilly, you have only 1 million people in that area.

Mr. HALABY. But there are more air passengers in there in the 50-mile radius that is closer to Dulles.

Mr. FRIEDEL. BOAC lost $30 million last year. It is going to cost two or three times as much more for landing fees at Dulles than it did at Friendship. They moved to Dulles just because you and the CAB said Washington is the Nation's Capital and they had to go there.

If they are losing money and are going to pay three times the landing fees at Dulles that they paid at Friendship, I can't see why, unless there was some pressure on them or some persuasion, they would move to Dulles. There has to be something there. That is why I am trying to get the FAA out of the thing altogether.

Mr. HALABY. Mr. Congressman, would you please tell me in what way, in what instance, have we put any pressure on BOAC to move over?

I have never even talked to BOAC. I haven't exercised a muscle. If there was something I could do which would have any effect on BOAC to get them to move from Friendship to Dulles, I would not do it, sir. I wouldn't do it in the future. That is not a proper action on my part.

The only issue that is involved here, as you have narrowed it, sir, is whether you want the FAA to have a Corporation that is as far divorced from the Administrator of the FAA as is possible, or whether you want a Board of five commissioners appointed by the President to oversee the whole thing. I pledge again that I will not exert any pressure on any air carrier to leave Friendship and go to Dulles, and I think any succeeding administrator would do the same.

Mr. WILLIAMS. Would the gentleman yield to me at that point?

Mr. Administrator, while you were talking about exerting pressures, all of the pressures don't necessarily have to be directed toward the airlines or the CAB or anybody else. But it appears to me that there is a possibility of a Government agency using its power of influence on another Government agency, possibly, to obtain certain advantages for projects in which it is interested. I have heard quite a bit of talk about the question of whether or not the Federal Aviation Agency may have consulted with the Bureau of Public Roads, with respect to completion of certain, parts of the circumferential highway and Cabin John Bridge and have it completed out of schedule while other projects or other parts of the same project are deferred until later.

I think probably you know what I am talking about—that is, the completion of the Cabin John Bridge section of the highway in advance of the section that would take the Northwest Washington area to Friendship.

In other words, the Northwest Washington area, as I understand it, is closer to Friendship in distance, but because they don't have the access highway completed, it is much closer in time from there to Dulles than it is to Friendship.

Would it be a fair question—and whether it is fair or not, I think I will pose the question—I think I will pose the question as to whether or not the Federal Aviation Agency has consulted with the Bureau of Public Roads in respect to the possibility of completing certain sections of that highway before they complete other sections?

Mr. HALABY. Mr. Chairman, I have not to my knowledge. I will go and look to see if I might have written a letter. I know I haven't talked to Mr. Whitten or anybody else over there. Most of our work with the Bureau of Public Roads has been to try to coordinate the highway program and the airport program in order to get airstrips along highways. But I would not be a bit surprised to find that a member of the FAA staff has told them we were going to open the airport on October 1, that those people who want to come out of the northwest section and feed in on the Cabin John Bridge would be greatly convenienced if a 3.1 mile strip were completed as near the time of the opening of the airport as possible.

Now, I don't believe that the Bureau of Public Roads is a pushover. I don't think that they would grant any such request if one was made and I rather think one may have been made.

None of my fellows here knows of such a representation. But I can't see that that would be regarded as anything more than an inquiry or a request to assist our Agency and they would have to judge who was being convenienced and inconvenienced.

Mr. WILLIAMS. Well, I just wanted to open the door for Mr. Friedel to take the ball from there on.

Mr. FRIEDEL. Just 1 minute.

Mr. WILLIAMS. Let the Chair inform the committe that we are going to have to vacate these quarters in the next 15 or 20 minutes.

Mr. Friedel, if you are going to close up Dulles, you had better do it in the next 15 minutes.

Mr. FRIEDEL. Mr. Halaby, I would like to say Mr. Funk of the State Roads Commission of Maryland was requested by the Bureau of Public Roads to complete the Beltway running to this Virginia bridge. Instead of completing the part of the Baltimore Beltway so they could get into Friendship, he picked the part going to the Washington airport.

That is part of the influence in question.

Mr. HALABY. Wouldn't the Airports Board, with five Presidential appointees on it, be pushing 15 times as hard as any fellow on my staff to do that?

I haven't even established whether or not one of my boys did request expedited completion. But the only issue before the committee, as I understand it, is whether a board of five Presidential appointees oversees the statutory general manager which you would set up, or whether I do. That is the issue.

Mr. FRIEDEL. Let the general manager run it.

Mr. HALABY. But he would do it. I am just hoping you will let him be the statutory officer and I can park this over there and not have to——

Mr. FRIEDEL. Mr. Devine asked this question of you, Mr. Halaby:

Do you feel, however, Mr. Halaby, that in the absence of the passage of any of this legislation, you could not operate in a businesslike manner out there?

Mr. HALABY. No, I don't. If I said it, if you operate it the way it is now set up, with the Chairman operating under this proposed administration, we can operate.

Now, you said that and also said you don't want to be under the pressure of operating these two airports. I am saying, let's pass the corporation bill, take you out of it, let it be independent of you. You have enough to do being head of the FAA.

Mr. WILLIAMS. Mr. Jarman, did you have any questions?

Mr. JARMAN. No questions.

Mr. WILLIAMS. Mr. Hemphill?

Mr. HEMPHILL. Thank you, Mr. Chairman.

I tried to get this from you a while back, and I appreciate your answer. In the rate base, what I meant by monumental cost, some witnesses, and I am not asking you to pass on their testimony, suggested that this airport had certain monumental features, not referring to cost but other features.

Mr. HALABY. Yes, sir.

Mr. HEMPHILL. And I assumed they were referring to the fact that whether people like it or not, we have $110 million out there, one of the finest airports in the world, and we have to either throw it away or put it to some use. Now, do you have any estimate of what the monumental features—what percentage of the rate base would be in that cost estimate?

Mr. HALABY. Yes, sir. I have indicated that, in exercising my present responsibility for the operation and maintenance of this airport, we have taken out of the capital base those items of expense to the Government that should be taken out and that we feel the remaining items; namely, a total of about $77 million, together with depreciation and interest, should be the basis for charging rates.

In other words, we have taken out the tower, the Federal airport aid grant, the access road, and the experimental prototype model of the lounge. Now, that is my answer.

Now, you could go on and say that our Nation's Capital should not have as beautiful and as elaborate an example of modern architecture as this, and even if it should have, the air carriers shouldn't have to pay for what apparently is one of the most interesting buildings in the United States.

As I think we told the committee last, the number of sightseers has far exceeded the number of travelers. There have been a total of 21,848 operations since we opened October 1. We have had 6,300 air carrier trips; 142,000 passengers, but there have been 600,000 sightseers. Now, we think with the spring vacation and the Easter season coming on, we have told the Appropriations Committee we are going to have to add janitors and police and highway patrolmen for a great surge of visitors.

Now, if I were an air carrier president, I would say, "You don't charge me for the Washington Monument upkeep, you don't charge me for the Lincoln Memorial, why are you charging me for the Dulles Memorial?"

And I would argue that very strenuously.

But since I am on the other side of that table—or really, Mr. Hobbs is, because he is running the thing—when he is on the other side of that table, he has to say "This is the maximum amount we can take out of the $110.8 million, which is the final figure, and the result is $77 million. I have promised the Appropriations Committee we will do our very, very best to get that back within 30 years."

Mr. HEMPHILL. Now, in the event either the negotiator or the manager which you put in charge should be negotiating with the carrier in the future on the rates he will charge for landing fees, is there any provision for arbitration, or would you object if we put in the legislation any provision for arbitration?

Mr. HALABY. There is no provision for arbitration. I would strongly object to it in the belief that an honest, fair, open bargaining between an airport owner-operator and the user is the best American tradition and that the interposition of any compulsory arbitration here, like so many other places, is unwise.

Mr. HEMPHILL. One final question: You said in making up your rate base that you also use the calculation of interest which would be normally charged on the overall $75 or $76 million.

Is that based on a 30-year amortization, or what projected amortization basis is that based on?

Mr. HALABY. We are using a 4¼-percent interest rate and we are amortizing each item in accordance with its realistic life expectancy. Some items are down around 10 or 15 years service life, and others, such as runways and hard items like that are up around 30 or 35 years.

Mr. HEMPHILL. Similar to a depreciation schedule?

Mr. HALABY. Yes, sir; it is a business depreciation schedule. It has been thoroughly explored by Chairman Thomas in his Appropriations Committee, and we believe we have the understanding and support of the Congress in trying to pay back to the national taxpayers this $77 million that they have invested here.

Mr. HEMPHILL. I want to thank you for your patience through my questions.

Mr. HALABY. I would like to say that I hope the members of this committee—which is such an important committee to us and to all of the United States—would meet our new Director of Operations. We were very fortunate in being able to recruit Mr. Arvin Saunders, present manager of the Greater Cincinnati International Airport. Previous to that, Mr. Saunders was the head of the Raleigh-Durham Airport, and a member of the board of directors of the Airport Executives of the United States. He is an outstanding professional airport manager. We feel very lucky in getting another good businessman into this show.

And I realize that it is natural to suspect that we would be overzealous in trying to get that airport paid off. I can only tell you with all honesty, that to my knowledge, we have not used any regulatory powers or pressures to force anyone to move, that we will not do so, and that although we don't enthusiastically carry this burden, we feel that until a much better way of doing it than the Airports Board is proposed, the Corporation bill is the best course of action.

Mr. FRIEDEL. But you feel that if no bill passes, you will be all right, too; is that right?

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Mr. HALABY. If no bill passes, we will continue as we have. We think it will be a less businesslike operation than we could make it under the Corporation.

Mr. FRIEDEL. I wonder why. That bothers me. Why? You have the same deputy, the same management, practically. And why could you not run it in a businesslike way?

Mr. HALABY. I didn't say it would be not businesslike. I said it would be less so. We gave about 17 reasons for this at the last hearing. But the one that impresses me most is that we get a profit and loss kind of operation out of it. At the present time you appropriate the money, we spend it, and the revenues go in the Treasury. If you create a Corporation and the revenues come in and the bills are paid from them you can develop a profit and loss attitude, a sense of accountability. You know that if you make some money, you can use it on improving the airport and you can, if you have a flood, or a fire, or a heavy snowstorm, you can take some money out of one fund where it isn't urgently needed and put it into another. Then you have yourself a business.

Mr. FRIEDEL. You could not run in that way unless this bill is passed. You said Washington National Airport would have to take care of itself and Dulles would have to take care of itself.

Mr. HALABY. For the determination of fees, the bill specifically provides for each airport to stand on its own. But the Corporation, sir, is designed to give the flexibility of operation that is needed in a good businesslike organization.

Mr. FRIEDEL. Then you can use that money—if Dulles loses money, you can take money from Washington National and reduce the loss on Dulles by the profits you make at Washington National. You could also reduce your rates and charges on the airlines when one airport is losing money.

You want the right to transfer the funds from Washington National to Dulles.

Mr. HALABY. The legislation will require, sir, that the Appropriations Committee each year take a hard look at what we are doing. We have the Washington National in the black now. Dulles is in the red for the near future. And that is the situation.

Mr. FRIEDEL. Wouldn't this be a back-door way, as they call it, of getting an appropriation for the corporation without specific approval from Congress?

Mr. HALABY. Well, it could be labeled that, but since we have to go before the Appropriations Committee with exactly the same data and all we have gotten is a little flexibility in the use of funds after they are made available, I do not believe it is back-door financing in the sense of contract authorization or any of the other forms of so-called back-door spending. There are some 11 or 12 active Government corporations, and I don't know that their back doors are being abused. But of course, I don't have any responsibility for them.

Mr. FRIEDEL. I think that is all.

Mr. WILLIAMS. Any further questions?

Mr. MACDONALD. I just have one, which is a very simple one, and perhaps shouldn't be asked.

I was wondering, in short-range flights such as from Boston and New York, will National not be used now by jets that are in operation at this moment?

Mr. HALABY. We anticipate, Mr. Macdonald, that the shuttle flights and short-haul flights such as Boston to Washington or New York to Washington would continue to use National. There may be some flights that will move over to Dulles for the reason that they are connecting flights with, let's say, an oversea flight.

But I think they would be exceptional. Most of these short-range flights carry the so-called briefcase traffic and these passengers want to be only 9 minutes rather than 45 minutes away.

Mr. MACDONALD. An hour, maybe?

Mr. HALABY. Well, the average time throughout the day has been running 45 to 50 minutes. The shortest trips I have heard of are 35 minutes. It is very interesting that the estimates are a little bit shorter in time than we anticipated. We are finding that the average mobile lounge time from aircraft stopped with engines off into the terminal is approximately 8 minutes. There is almost no wait for baggage. The baggage is usually there before the passenger.

The delays we have heard about more often than not have been the delays following the picking up of the baggage and getting a load onto the limousine. Once the limousine leaves the line, the average time has been about 45 minutes. That is down to 12th and K, not out to the Northwest.

Mr. MACDONALD. Thank you, Mr. Halaby.

Mr. WILLIAMS. Any further questions?

Thank you very much, Mr. Halaby.

The subcommittee has received several letters and statements. Among those received are statements from our colleagues, Mr. Morton and Mr. Sickles, both of Maryland.

If there is no objection, these statements along with the other material received may be inserted at this point in the record.

(The data referred to above follows:)

STATEMENT OF HON. ROGERS C. B. MORTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. Chairman, I am pleased to have the opportunity to join my colleagues in support of H.R. 2081—to transfer certain administrative responsibility for the operation of Washington National Airport and Dulles International Airport from the Administrator of the Federal Aviation Agency to a Washington Airports Board.

Since 1959, Friendship International Airport has served the Capital area for jet traffic safely and efficiently. Yet, under the existing proposal of the Federal Aviation Agency and the Civil Aeronautics Board, at the completion of Dulles International Airport all jet traffic will be diverted from Friendship International Airport to Dulles International Airport.

Residents of the western section of the District of Columbia, Montgomery County, and Prince Georges County deserve the right to select the facility which best suits their needs. They have received excellent, convenient service from Friendship and arbitrary removal of such service is unfair. I do not suggest that either facility be given preferential treatment.

Over 6 million people are served by Friendship International Airport. Action to expand one facility at the expense of the other cannot be condoned.

For these reasons I join my colleagues in vigorous support to establish an independent agency to administer the Washington Airport. Equitable treatment for all facilities would be insured through the establishment of a Washington Airports Board.

I urge passage of H.R. 2081.

HOUSE OF REPRESENTATIVES,
Washington, D.C., March 18, 1963.

Hon. JOHN BELL WILLIAMS,
Chairman, Transportation and Aeronautics Subcommittee, Interstate and Foreign Commerce Committee, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Unfortunately meetings of the House Education and Labor Committee prevented me from appearing before your subcommittee regarding legislation to create a Washington Airports Board to operate Washington National and Dulles International Airports. I understand there are three bills before your subcommittee on this subject: H.R. 2081, introduced by Congressman Friedel; H.R. 3406 introduced by Congressman Lankford; and H.R. 3328, introduced by Congressman Long. I plan to introduce legislation to deal with this problem and am indeed pleased that you have scheduled hearings on this subject.

I believe that action to transfer responsibility for the operation of Washington National Airport and Dulles International Airport to an independent agency is highly desirable. Such a transfer would eliminate the conflict of interest which is inherent in the present situation in which the Federal Aviation Agency is both operator and regulator of the Washington airports. I do not believe that continuation of this situation, which obviously places independently operated Friendship Airport at a competitive disadvantage, is equitable.

I understand the subcommitte is also considering a Federal aviation administration bill, H.R. 826, which would place control of the Washington airports in a coporation whose head would be appointed by the Administrator of the FAA. In addition to continuing the present conflict-of-interest situation, this arrangement would remove the financial operation of these airports from close congressional scrutiny. Needless to say I believe that the Congress should take an annual look at the operation of Dulles Airport so that the Congress can tell just how much Dulles is really costing the taxpayer in addition to the $33 million Federal "gift" the airport has receive thus far. FAA officials have repeatedly testified that they have no intention of recovering about $33 million of the $110 million total cost of Dulles Airport excluding costs of the Dulles interceptor sewer.

To eliminate any possible conflict of interest, to insure adequate congressional financial control, and to preserve for the air travelers of the Baltimore-Washington area their right to use any of the area's three major airport facilities, I support the creation of an independent agency to operate Washington National and Dulles International Airports.

With best wishes,

Very sincerely yours,

CARLTON R. SICKLES,
Member of Congress.

STATEMENT BY ALBERT J. KLINGEL, JR., EXECUTIVE DIRECTOR, FAIRFAX COUNTY ECONOMIC & INDUSTRIAL DEVELOPMENT COMMITTEE

Mr. Chairman and gentlemen of the committee, my name is Albert J. Klingel, Jr. I am executive director of the Fairfax County Economic & Industrial Development Committee, an agency of the Fairfax County government. I have been directed by the members of my committee to present our views concerning section 7 of H.R. 826 and earnestly to request the committee's favorable consideration for the provisions of this proposed legislation that make possible the transfer of jurisdiction over Dulles Airport access road and/or parallel rights-of-way to the State of Virginia.

I will try to avoid repetition of the previous testimony, except to say that we concur in the positions taken by Congressman Joel T. Broyhill, Mr. Carlton C. Massey, Fairfax County executive and the representatives of the Fairfax County Chamber of Commerce. We would like to bring to the committee's attention several reasons why we feel that a great deal is at stake in this matter not only for our own community, but for the entire Washington metropolitan area and the Nation as well.

The advent of Dulles International Airport in Fairfax County has greatly enlarged our opportunities for economic development. It appears certain that the airport will influence a substantial expansion in western Fairfax County and eastern Loudoun County and prove to be an attraction to a very sizable number of private commercial and industrial enterprises. More than half of the land in Fairfax County planned for industrial development is oriented to-

ward the airport corridor. We envision development of these areas as employment centers of the highest quality based primarily on research and technically oriented industries and possibly including Government agencies with scientific interests. We feel that this kind of economic activity will benefit not only the general community, but also enhance the stature and utilization of the important Federal airport facility at Chantilly. The active consideration being given to the area by some of the largest and finest companies in the United States has confirmed our confidence in its potential. In every instance, however, it has been clear that a final decision to locate in or near the airport complex hinges upon the availability of suitable access to Washington, D.C.

The choice of Fairfax County as the location for Dulles Airport has enlarged our opportunities, but at the same time, it has greatly increased our responsibilities. We are conscious of the fact that for many millions of Americans, the airport highway corridor will provide their first impression of their Nation's Capital. We are also aware that many important foreign visitors to our country will receive their first and perhaps lasting impression of America from what they see as they travel across Fairfax County from the airport to the District of Columbia. It is our hope and our goal that these impressions will be favorable.

Years of time and effort have been invested by the country in plans to guide the development of western Fairfax County including the airport corridor, according to the principles enunciated in the year 2000 plan. Major clusters of development include the unique Reston community, Herndon, and the Tysons Corner complex, as well as industrial zones adjoining the Dulles Airport. These higher density clusters will be separated by appropriate wedges of park land and low-density estate areas. Representation for the cultural achievement of our country has been assured by the decision of the Association of American Symphony Orchestras to locate its National Center on a tract adjoining the highway. Unless access is obtained, the development of this important segment of the National Capital area will be retarded. Moreover, the lack of appropriate highway connections will introduce distortions which may make it impossible for us to implement our portion of the year 2000 plan. Without proper access, this area could well develop as a backyard for our city, rather than fulfill its role as the front door to the Capital of the United States.

Pressure of population growth in western Fairfax County is certain to create a continuing demand for new and improved highways. The costs for these roads would have to be met partly by the taxpayers of Virginia and partly by those of the country as a whole through Federal contributions. Section 7 of H.R. 826 offers Congress the opportunity to meet this demand at virtually no additional cost to the taxpayers of the Nation. Furthermore, by granting jurisdiction to the State of Virginia, Congress will make possible the development of the Dulles Airport corridor in a manner appropriate to the world's largest and most modern airport and the threshold of our Capital City.

STATEMENT OF J. B. HARTRANFT, JR., IN BEHALF OF THE AIRCRAFT OWNERS & PILOTS ASSOCIATION

The Aircraft Owners & Pilots Association appreciates the opportunity to present its views with respect to H.R. 826 and related bills which are before the Subcommittee on Transportation and Aeronautics.

We are in sympathy with many of the objectives sought by the sponsors of the various bills before your committee. However, we do not believe that any of the bills, as written, provides the best available solution to the problems now confronting the committee. Therefore we recommend drafting a new bill rather than attempting extensive amendment.

The Aircraft Owners & Pilots Association favors and urges congressional action to divorces the Bureau of National Capital Airports from the Federal Aviation Agency. The Bureau's function; i.e., the day-to-day operation of airports in the National Capital area, is not in harmony with the Federal Aviation Agency's principal purposes as outlined in the Federal Aviation Act of 1958 in section 103. The Administrator of the Federal Aviation Agency, by functioning in two such disparate capacities, as a safety regulator and an airport landlord, is placed in an undesirable position.

We recognize that the FAA currently administers a number of airports in Alaska, the Pacific islands, and even several in the continental United States in the form of intermediate fields for emergency purposes. We have, in the Mitchel Field case, suggested that the FAA do even more along this line. However, we have always found it reluctant to expand this airport management role. Even in the National Capital area, where airport facilities for general aviation purposes are woefully inadequate, where traffic density is reasonably heavy, and where the FAA's right to act is fairly clear cut, it has resisted recommendations by many parties, including ourselves, to take over or convert available airport facilities in the Bolling-Anacostia complex or at Beltsville to remedy the situation. By this reluctance, the Agency has demonstrated itself as something less than eager to remedy present and curable problems with economical and available solutions.

In our judgment, the Federal Aviation Agency has already reached a size which makes it abnormally difficult to manage. Splitting the Bureau away from the Agency would help to reduce this unmanageable size.

Several alternatives are available for administering the Bureau of National Capital Airports.

1. The Bureau can remain as is or it can be separated from the Federal Aviation Agency.

2. The Bureau can be incorporated or remain unincorporated.

3. The Bureau can be administered by a board or commission with or without an executive officer, or it can be administered by an executive officer with or without an advisory board.

4. The Bureau can be transferred to another existing agency of Government already commissioned with similar functions and responsibilities and already endowed with the necessary administrative overhead.

In our judgment, two solutions are acceptable for disposing of the Bureau of National Capital Airports, one of which is much preferable to the other.

1. As the preferable solution, we recommend transfer of the National Capital airports and appropriate portions of the Bureau to an existing agency responsible for operating service facilities of a comparable character. We suggest that either the National Park Service or the General Services Administration or both in combination could assume this obligation. Both have had extensive experience in the operation of public facilities, landlord-tenant relationships, concession administration and related problems associated with the ownership and operation of buildings and facilities which serve the public. The National Park Service has even had some experience in airport operation.

2. Acceptable as a much less desirable solution, would be to establish the National Capital airports as a separate, unincorporated agency, administered by a professional Director under the supervision of a part-time public service airport board representing the interests to be served by the National Capital airports.

The merit of the first solution lies in that such a transfer would avoid establishment of still another independent public agency with all the attendant costs of complete administrative overhead for legal, fiscal, personnel, supply, and similar purposes. The transfer would relieve the Federal Aviation Agency of a function different from its basic purpose, as previously indicated. The transfer would place this function with an agency already established to provide comparable services in the National Capital area.

In many respects, many of the features embodied in the National Capital airports have been established to serve the requirements of governmental prestige. In our judgment, this precludes, or ought to, treatment as a businesslike enterprise on a corporate basis. In large part, these airports embody monumental characteristics, appropriate perhaps to the seat of government, but established to serve political or diplomatic purposes rather than transportation purposes. The facilities, particularly at Dulles International Airport, greatly exceeded the real needs of the air transportation market in the Washington metropolitan area. No community of a comparable size or similar market potential that we know of has established such monumental airport facilities or invested comparable funds for this purpose. Following is a list, drawn from a U.S. Census source, of the 20 largest metropolitan areas in the Nation. We were unable to obtain consolidated capital investment figures for their airport facilities. However, in our estimation, due to size, location, time of construction, and similar cost factors, it is unlikely that any but the top three could have a greater airport investment

than the Federal Government has in the National Capital airports—and even those three may not.

Rank of standard metropolitan statistical areas in the United States, 1960

Rank	Metropolitan area	Population	Rank	Metropolitan area	Population
1	New York	10,694,633	11	Cleveland	1,796,595
2	Los Angeles	6,742,696	12	Baltimore	1,727,023
3	Chicago	6,220,913	13	Newark	1,689,420
4	Philadelphia	4,342,897	14	Minneapolis	1,482,030
5	Detroit	3,762,360	15	Buffalo	1,306,957
6	San Francisco	2,783,359	16	Houston	1,243,158
7	Boston	2,589,301	17	Milwaukee	1,194,290
8	Pittsburgh	2,405,435	18	Paterson	1,186,873
9	St. Louis	2,060,103	19	Seattle	1,107,213
10	Washington, D.C	2,001,897	20	Dallas	1,083,601

Furthermore Dulles was designed primarily to serve jet aircraft traffic. Therefore most of its facilities exceed the needs of most other aircraft users in both air carrier transportation and general aviation. We do not mean to say that nonjet air carrier or general aviation users have no need to land at Dulles now that it is established and operational; rather we mean that the facilities in terms of land, runway and taxiway length and width, and buildings are much greater than these aircraft require. In fact we believe both the present and foreseeable needs of the area for air carrier airport facilities were being and could have been adequately served by Washington National Airport and Friendship International Airport. Apparently, the "regional airport concept" is valid Federal policy almost any place except in the Washington region.

Similarly Washington National Airport is designed and organized primarily to serve airline traffic of the nonjet character. Most of the facilities provided exceed the needs of most general aviation users, although not by the vast margin which prevails at Dulles International. Again, we do not mean to imply that general aviation users have no need to land at Washington National but rather that the facilities provided are either greater than most general aviation ircraft need or are limited to the service of air carrier aircraft. Incidentally we feel that service facilities at Washington National for general aviation are inadequate for the traffic and hope the authorities responsible will move at once to enable the establishment of some competition for this business.

The merit of the second solution, stated above, lies in its economy and responsiveness to user requirements. A professional Director of Airports would be much less expensive than a Board of five, drawing $100,500 plus additional expenses for personal staff, travel, perquisites, etc.

A part-time Airport Board, representing the user interests concerned could provide adequate broad policy guidance to the Director at minimal cost to the Government. Such a system is used in most communities across the Nation.

In our view H.R. 826 has several defects:

1. The Advisory Board is advisory rather than supervisory. As an advisory panel its impact would be much less effective. Not being composed of user representatives it would not be responsive to user needs for service or cognizant of user capabilities. This is not to say that the Board should not include a representative of the public which is also a user.

2. The bill lacks criteria for establishment of charges and fees to be levied by the corporation.

It does specify that the Corporation is to be run on a businesslike basis and that all costs, including investment, interest, etc., should be recovered. It includes also provisions that charges should be "fair and reasonable," "consistent," and that capital investment should not include the equivalent of funds that would have been provided by the Federal Airport Act under normal circumstances. We agree that if the bill is adopted and the Bureau is incorporated, a more businesslike operation would probably result. However we contend that since these monuments to governmental prestige are excessive to the needs of most aviation users, that at least the excess must and ought to be borne by the Public Treasury. Any fees developed to recover full costs of all of the facilities provided, even excepting the equivalent of FAAP funds, would constitute an unwarranted and discriminatory burden upon the aeronautical users for facilities which were not provided to meet their needs but to satisfy other

nonaeronautical purposes. We doubt that businesslike operating principles are appropriate to nonbusinesslike capital investments and believe the Corporation would have trouble reflecting this disparity in its dealings with tenants and users.

With respect to user charges let us state at the outset that, as a general principle, we are not opposed to user charges if such charges are imposed uniformly throughout Government for all comparable services provided to all comparable users. In our view, user charges should not be selectively applied to highway users or to aeronautical users alone.

However, while on the subject of user charges, we might point out that one of the primary reasons for Government activity in a given field is to make available a certain service or facility to the public for free use. Up to recent times the concept has been that taxation was the user charge for Government-provided services and facilities. In fact we believe it is highly questionable whether the Government should be engaged at all in any sort of activity which is deemed to provide selective benefits for a few rather than being in the public interest. We suspect that any enterprise in which user charges are appropriate properly belongs in the realm of private enterprise and should be avoided as not in the public interest.

At this point it is important and necessary to distinguish between the two kinds of aeronautical user charges which are currently discussed. One kind is that suggested in the President's budget. It consists of a gallonage tax on aviation fuel or an excise on tickets or waybills to partially offset the cost of the air traffic control system provided by the Federal Aviation Agency. The other kind consists of a specific fee applied by an airport landlord, either directly or indirectly, upon a specific aircraft operator for his use of the aeronautical airport facilities provided by the landlord. It is this latter kind which concerns us with respect to the legislation under consideration.

If and when the general principle of user charges is to be applied to direct users of aeronautical airport facilities, then we believe those charges should be scaled to reflect the extent of the specific user's need for such facilities. We recognize that this may impose extensive cost accounting requirements upon the Government, but equity demands that users not be charged user fees for facilities gratuitously provided which are grossly superfluous to the specific user's needs. In this regard we believe that any user charges levied should be formulated on the basis of the following criteria:

1. Facilities established to meet air carrier needs should not be reflected in fees charged to general aviation users and vice versa.
2. Facilities established to meet the needs of large aircraft should not be reflected in fees charged to users of small aircraft and vice versa.
3. Facilities established to meet the special needs of jet, helicopter, V/STOL, or any other special aircraft, should not be reflected in fees charged to users of piston, fixed-wing aircraft, and vice versa.
4. Facilities established to meet the special needs of cargo operations should not be reflected in fees charged to noncargo operators and vice versa.
5. Facilities established for purposes of governmental prestige, statecraft, or meeting military requirements should not be reflected in fees charged to civilian or nongovernmental users.

In summary, the Aircraft Owners & Pilots Association recommends preferably that, rather than adopting any of the bills now before the committee, new legislation be drafted to transfer Washington National Airport, Dulles International Airport, the Dulles access road and such personnel, and other property and records of the Bureau of National Capital Airports as is appropriate to either the General Services Administration or the National Park Service, to administer along with their similar responsibilities for other public buildings, parks, and monuments in the National Capital area. This transfer should be accompanied by instructions that any user charges to be levied should be developed in consonance with the criteria outlined above, and that the public interest portion of the cost of any facility provided, will be borne by the Public Treasury rather than attempting recovery through user charges.

Alternatively, AOPA recommends that the National Capital Airports be established as a separate unincorporated agency, administered by a professional director under the supervision of a part-time public service Airport Board representing the interests to be served. It should be instructed regarding user charges as in our previous recommendation.

We believe one of these actions will provide the most economical and equitable solution to the problems now before the committee.

BALTIMORE, MD., *March 19, 1963.*

Hon. JOHN BELL WILLIAMS,
Chairman, Transportation and Aeronautics Subcommittee,
House Interstate and Foreign Commerce Committee,
House of Representatives, Washington, D.C.

Having been the mayor of Baltimore under whose administration plans for Friendship International Airport were inaugurated, I feel a deep personal and civic interest in the bills introduced in the Congress to protect this facility from unfair competition from Dulles International Airport. In particular, I strongly support and recommend favorable action on legislation which would transfer the control of the Dulles International Airport from the hands of the Federal Aviation Agency Administrator, the very man who has jurisdiction over the airlines themselves, to an independent board. Such action to divest the FAA Administrator from his dual role as regulator of the airlines as well as of the Dulles facilities which the airlines are being pressured to use is especially imperative in this area which has been imbued through so many unfortunate experiences with serious misgivings about the state of morality and ethics in government.

Like Caesar's wife, chosen representatives of the people must be above suspicion, and the FAA Administrator surely cannot achieve this status while he is forced to promote business for the federally constructed and federally operated Dulles airport at the same time that he holds life-or-death power over the airlines which must decide whether or not to use it.

Friendship International Airport, constructed with 80 percent of the costs being provided by Baltimore City, can and will compete successfully with the all-Federal Dulles International Airport if the fight for air traffic can be conducted without the direct or implied intervention of the FAA in behalf of Dulles. For these reasons, I again urge your committee to establish a Washington Airports Board, independent of the FAA, to operate Dulles airport and the other public air facility, under the jurisdiction of the Government in the area, Washington National Airport.

THEODORE R. MCKELDIN.

THE METROPOLITAN WASHINGTON BOARD OF TRADE,
Washington, D.C., April 1, 1963.

Hon. JOHN BELL WILLIAMS,
Chairman, Transportation and Aeronautics Subcommittee,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The Metropolitan Washington Board of Trade has followed very closely your recent hearings on H.R. 826 which would incorporate Washington's two airports under the Federal Aviation Agency, and H.R. 2081 which would create a Washington Airports Board as an independent agency of the Federal Government.

Because the adequacy of air service to the metropolitan area of Washington vitally affects every resident, we wish to express our concern in the issues before your committee and request permission to have our views included in the record.

The Board of Trade has supported a second airport for Washington ever since it was first authorized by the Congress in 1950. Because we have long supported the creation of a second airport, we are delighted to have Dulles International Airport now available and operational.

We do not see much need to add to the vast amount of factual detail that has been presented to your committee during recent hearings and in hearings conducted in the last Congress, but we believe we can be helpful in reiterating the great interest of the Washington community in Dulles as Washington's jet airport and in operating it and Washington National in the most effective, efficient, and economical manner.

We urge the enactment of H.R. 826 because we believe that the concept of a Government corporation is ideally suited for Federal revenue-producing business-type activities. Both Washington National Airport and Dulles International Airport fall clearly within this category. As such, they need and should have the type of executive direction provided in H.R. 826. We believe it would be a mistake to try to run business-type activities under a multimember board as is provided in H.R. 2081.

We also want to express the gratitude of the Washington community for the foresight of the Congress in providing a second airport; it is obvious that the

metropolitan area has outgrown the ability of Washington National Airport alone to serve the air transportation needs of the Nation's Capital.

Dulles is a striking, farsighted, imaginative concept in airport planning and layout. The hundreds of thousands of sightseers who have visited the airport during the inclement months since its opening furnish eloquent evidence of its impact and the pride the community takes in it. It is a magnificent gateway to the Capital of our great country. In our opinion, it will more than fulfill its expectations in the years ahead. With the rapid increases in range and other technological features of air transportation, and given real management as provided in H.R. 826, we envision it as a prime international gateway to the United States in the very near future.

Dulles International Airport is an asset of tremendous value to the people of the city of Washington and its surrounding areas. Travel time to it is decreasing rapidly with the increasing availability of fine road networks. With the opening of Cabin John Bridge, the airport is very readily accessible from points from which many Washington travelers depart and arrive.

Having supported all efforts to bring the airport to reality in recent years, the Board of Trade would be remiss not to advise you now that our interest and support are greater than ever. As Washington boosters, we are at the same time boosters of the Capital of the Nation that leads the free world in a time when international travel facilities make a must of the success of Dulles.

We believe efficient, executive-type management rather than the creation of another Government agency represents the wisest management. H.R. 826 meets this criterion. We urge its favorable support by your committee and its enactment by the Congress as soon as possible.

We appreciate the opportunity of placing these views before your committee and the Congress.

Sincerely yours,

CHARLES E. PHILLIPS, *President*.

Mr. WILLIAMS. The committee will stand adjourned.

(Whereupon, at 3:30 p.m., the committee adjourned, subject to the call of the Chair.)

WASHINGTON, D.C., AIRPORTS

THURSDAY, MAY 16, 1963

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS
OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 1334, Longworth Building, Hon. John Bell Williams (chairman of the subcommittee) presiding.

Mr. WILLIAMS. The subcommittee will be in order, please.

This morning, the Subcommittee on Transportation and Aeronautics will take additional testimony on two bills, H.R. 826, and H.R. 2081, both of which have to do with the creation of a National Capital Airports Corporation or Board. These hearings were prompted by certain points that were raised in the report received by this committee from the Comptroller General.

As I understand it, representatives of his office are here this morning to explain and elaborate further on this point.

Is Mr. Litke here? Mr. Litke, I believe you have several associates with you. You might bring them around too, and identify yourself for the record, please, sir.

STATEMENT OF ARTHUR L. LITKE, ASSISTANT DIRECTOR, CIVIL ACCOUNTING AND AUDITING DIVISION, GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY FREDERICK A. RANDALL, SUPERVISORY ACCOUNTANT, CIVIL ACCOUNTING AND AUDITING DIVISION; SIMMONS B. SAVAGE, JR., ASSOCIATE DIRECTOR, ACCOUNTING AND AUDITING POLICY STAFF; AND ARCHIBALD B. BROWN, ATTORNEY, OFFICE OF GENERAL COUNSEL

Mr. LITKE. Mr. Chairman, on my far left is Mr. Arch B. Brown, attorney, Office of General Counsel, and next to him is Mr. Simmons B. Savage, Jr., Associate Director of our Accounting and Auditing Policy Staff, and on my right is Mr. Frederick A. Randall, supervisory accountant on our Federal Aviation Agency audit assignment.

Mr. Chairman and members of the subcommittee, we very much appreciate the invitation to appear here today to present our views on H.R. 826, to create the National Capital Airports Corporation.

In our report to the Honorable Oren Harris of April 24, 1963, on the bill, we stated that we were unable to recommend favorable consideration of the proposed legislation and gave our reasons for this conclusion in some detail.

In the interests of brevity, we propose only to summarize the reasons for our conclusion and to suggested changes to the bill in the event that the subcommittee decides to give favorable consideration to the requested incorporation.

As an agent of the Congress, we are concerned with any lessening of congressional control which may result from incorporation or a change to revolving fund financing, which customarily is employed in Government corporate type of organization.

This concern is translated in the application of criteria by which we view legislative proposals such as the bill in our discussion today.

These criteria are that the public interest is best served when (1) congressional control of Federal activities is exercised through the annual reviews and affirmative action on planned programs and financing requirements which attend the appropriation processes and (2) the application of statutes and regulations which usually govern the operations of Government agencies.

We regard any proposal which does not provide for the equivalent of these safeguards as a lessening of congressional control and a departure from our criteria.

In our opinion a lessening of congressional control is justified only when a net advantage to the Government, in terms of greater program effectiveness and efficiency and economy in operation, can be expected to result.

In reaching a judgment as to the probable net advantage or disadvantage to the Government, we examine the pertinent factors and circumstances involved in each proposal and the reasons advanced for the change.

Unless a net advantage is apparent as a result of these analyses, we feel it is our responsibility to recommend against favorable consideration.

H.R. 826 proposes to confer on the airports management a substantial amount of freedom from the controls which are imposed on conventional agencies which are financed by appropriations. When we considered the reasons advanced by Federal Aviation Agency to support the need for this change, it seemed to us that some of the objectives, such as improved budgeting, accounting, and reporting, could be accomplished without any change in organization or financing method.

Others, such as a justified need for financial flexibility to meet unpredictable fluctuations in the demand for airport services, also can be met through the regular appropriation processes.

Lastly, but possibly even more significantly, other objectives such as authority to fully develop potential sources of revenue common to airport operations, involve decisions as to the scope and type of activities to be undertaken and expenditures to be made.

In our opinion, these are matters which should be subject to the review and approval of the Congress and should not be left so completely to the decision of agency management. In the circumstances, we were not convinced that a net advantage to the Government would result from the corporate organization envisioned in H.R. 826.

Should the subcommittee conclude that incorporation of the airports would better serve the public interest than the present organization and financing methods, you will note that our letter of April 24, 1963, contains suggestions for amending certain sections of H.R. 826.

These related principally to the need for strengthening congressional control, the operation of the airports on a self-sustaining basis, and the simplification of certain aspects of the bill.

This concludes our prepared comments on the bill. We will try to answer any questions which the subcommittee may have.

Mr. WILLIAMS. Thank you very much. You mentioned in your statement that should the subcommitee conclude that the incorporation of the airports would better serve the public interest, you would suggest certain amendments which were incorporated in your letter, which was forwarded to the committee.

Would you mind discussing these amendments?

Mr. LITKE. On page 6 of our letter to Mr. Harris is where we start the discussion relative to specific sections of the bill. The first item we refer to relates to section 5(a), page 3, line 2, of the bill, which provides for the setting of rates and charges on a self-sustaining basis while section 5(b), page 3, line 10, provides that rates and charges be "consistent with rates and charges of a similar nature at comparable airports within the United States." There is a possibility of a conflict between those two provisions, particularly in the case of Dulles International Airport which, in the first years of operation, may not be able to operate on a self-sustaining basis if rates and charges are consistent with those of comparable airports.

Mr. WILLIAMS. The language of the bill, however, follows with the words, "Consistent with sound commercial practices." To what extent would that modify the term "self-sustaining business enterprise basis"?

Mr. LITKE. This would have an effect obviously on the rates that would be charged at Dulles, but we feel there is a possibility of conflict here and it might be advisable to clarify this in the bill.

Mr. WILLIAMS. Do you have any suggestions for a means of clarifying it?

Mr. LITKE. I don't have any at the moment.

Mr. WILLIAMS. Let me go back over this paragraph just a moment. On page 2 we say:

> The Congress hereby declares that it is in the public interest that, to the maximum extent practicable but subject to and in accordance with requirements—

and so forth it should be operated or effected on a self-sustaining basis consistent with sound commercial practices.

Do you have any suggestions as to how that language might be improved so as to make it clearer?

Mr. LITKE. We would have to give that additional study to come up with the language which we feel would take care of our particular problem with this section.

Mr. FRIEDEL. On page 3, section (B) starts with:

> The rates and charges for space, facilities, and services shall be fair and reasonable and shall be consistent with the rates and charges of a similar nature at comparable airports within the United States.

I would concur with your argument that Dulles will not be on a self-sustaining basis for some time. In other words, you would say that Washington National Airport charges such a rate and you wouldn't be able to liquidate it, and I think what we said up here about it being self-sustaining we are undoing right here in the other paragraph.

Mr. WILLIAMS. Do you feel that there is an inconsistency in the language just quoted by Mr. Friedel and the language in the previous paragraph that would make the two incompatible?

Mr. LITKE. I would think so. This is part of the facts we have as to just what is self-sustaining in (B) and then sound commercial practices in (A).

Mr. WILLIAMS. The term "self-sustaining" I think should be read in context with the language "to the maximum extent practicable," which, in my opinion, completely modifies the words "self-sustaining" and makes it rather flexible.

Mr. LITKE. This is the problem, sir. Mr. Friedel raises the question and you have another view on the thing. This is the problem we come up with. We would like to get some clarification in here so it would be clear to everybody as to just precisely what is meant here.

Mr. WILLIAMS. Mr. Devine.

Mr. DEVINE. Have you, in your research on this legislation, compared the proposed landing fees between Washington National and Dulles?

Mr. LITKE. No, sir.

Mr. DEVINE. I think if you would get into that feature, you would find quite a difference. The fees at Dulles, I think, are considerably higher than they are at Washington National. Is it your understanding that Washington National can be operated at a profit and the profit can be used to offset some of the expenses at Dulles?

Mr. LITKE. This is possible the way we see the bill; yes, sir.

Mr. DEVINE. Do you consider that as part of a self-sustaining operation?

Mr. LITKE. The corporation as a whole presumably would be self-sustaining for both airports.

Mr. DEVINE. There again enters these very words to which you have entered an objection.

Mr. LITKE. Yes, sir.

Mr. DEVINE. Then your first suggestion is that the intent of section 5 should be clarified by additional language?

Mr. LITKE. Yes, sir.

Mr. WILLIAMS. All right, sir. Now, the second amendment or the second change that was proposed to the bill.

Mr. LITKE. This is on section 6(5) (A) and (B), page 6, line 5, of the bill.

Mr. WILLIAMS. Page 6, line 5.

Mr. LITKE. That is right, page 6, line 5. The sections (A) and (B) there provide for acquiring property and constructing buildings and improvements without specific authorization by the Congress.

The only restriction placed on the initiation of capital projects or new types of activities is that contained in section 11, page 14, line 7, that such capital projects or new activities shall be included in the annual budget program prescribed by section 102 of the Government Corporation Control Act.

We believe the Congress would be provided with better control if H.R. 826 provided that the Congress would have to specifically approve items of this nature before they could be undertaken; since this could be accomplished by requiring approval in annual appropriation acts of such projects and new activities as the Congress may wish to establish.

Mr. WILLIAMS. As I understand it, the purpose of this corporation is to provide a more efficient operation of the two airports so as to take some of the redtape away, in order to permit these people to do business and give them enough flexibility to do business in an efficient manner.

I can well understand the objections which have been raised on this point and certainly I am sympathetic to retaining the maximum congressional control.

However, the suggestions that you have made that each specific project be submitted to the Congress for approval would certainly burden the corporation considerably in its operation, it appears to me.

Now, should there be a cutoff or a specified amount set in the transaction which could give the corporation sufficient flexibility and yet on major projects require that they come and have the approval of Congress?

Mr. LITKE. This, of course, would increase the congressional control over the way it is written now by the suggestion which you made. With respect to WNA, which has been a part of FAA or its predecessor for the last 20 or 30 years, we have no evidence of any activity being hampered by FAA coming to Congress to receive specific authorization for anything they wanted to do there. There is no evidence that we know of that they have been hampered in any respect in its operation.

Mr. WILLIAMS. Are there any questions on this point?

Mr. HEMPHILL. Yes, sir, Mr. Chairman. I am somewhat concerned. I don't think Congress ought to be in the airport business and I don't think the United States of America ought to be, but we are in it. Here is a measure on which FAA comes and says we can administer more efficiently.

As I understand it, all FAA wants is an opportunity to have a manager that can run the airports and put your finger on. The question of congressional control to me is a red herring because we haven't got the time or the facilities to run the airport in this committee, and this committee would have the jurisdiction with the appropriate Senate committee, so I think what we are searching for here is some help in solving this problem, and there are problems.

If you go out there and land at Dulles you get on one of those big buses, you realize somebody has to be responsible for that and somebody has to see that they run every day and somebody has to be responsible for all the other activities.

I have supported this bill because if somebody tells me it is going to be more efficient, I am for it, and the reason we have the FAA, and the reason we have the Federal Trade Commission, and the reason we have the Securities and Exchange Commission is for more efficiency, as I understand it, in the supervision.

Therefore, I was somewhat distressed to see the original report from your agency which offered, as far as I could see, no constructive suggestions. That is what we are looking for. Just to say that congressional control would be lost hardly seems sufficient. I don't know that we have much control now.

We don't know who controls it. We don't know whom to go to. If we had something like this measure proposed we could call someone up here before this committee and say, "Listen, what is wrong out there at Dulles and what is wrong at National," and we would have

somebody we could put our finger on, so to speak—I say that in no critical way.

I would prefer that we sell Dulles and National to some private concern and let them run it, but we have this baby on our hands out here at Dulles and we have National.

These people say they can run it more efficiently. If you tell me they can't run it more efficiently, I might go along with you, but you haven't said that yet.

Mr. FRIEDEL. Would the gentleman yield?

Mr. HEMPHILL. Yes, sir.

Mr. FRIEDEL. I have been listening to what you have just said, and I can't see how the FAA can run it efficiently at all. You are complaining that there is nobody you can put a finger on about the mobile lounges at Dulles Airport or National Airport. If you just get on the phone and call the FAA they tell you who is in charge at Dulles and they will tell you who is in charge at National.

I understand they brought some man to Dulles from Cincinnati, Ohio, a great, efficient airport manager, but evidently they are not running it efficiently now and that is the reason why they want to have this corporation or board.

There is another thing I want to bring out here that you are talking about.

Mr. HEMPHILL. I yielded to you for a question.

Mr. FRIEDEL. That is where we differ.

Mr. HEMPHILL. I don't think you and I will ever reconcile our differences because we have Friendship Airport in your backyard. That is the whole trouble.

Mr. FRIEDEL. You think that Dulles Airport has to be run by a corporation? Is that the way you feel?

Mr. HEMPHILL. Well, it goes back to the fact that if a man has sense enough to get a job he has sense enough to run it.

Mr. FRIEDEL. I agree with you on that.

Mr. HEMPHILL. And the FAA Administrator is running this and I want to help make it more efficient.

Mr. FRIEDEL. Keep the FAA out of it and have this Board to run it as in H.R. 2081. That is the answer?

Mr. HEMPHILL. We can always change. If we pass this legislation and it doesn't do what they say it will do it can be changed, but as long as they say they need it as an Agency of this Government, unless we have proof that they don't need it or that it wouldn't work more efficiently, certainly the Congress ought to try to cooperate with the Agency.

For instance, if you came in here and said that you needed some legislation, I would have respect for your position and your experience. That is the way I feel about it. We have to resolve the question.

I hope you don't think I am being unduly critical, sir. It is just that there has been quite a hassel about this piece of legislation and it disturbs me because usually I try to cooperate with whatever administration is in power when they ask for some legislation.

Thank you.

Mr. WILLIAMS. Any further questions?

Mr. DEVINE. Mr. Litke, assume the committee would reject this legislation and we enacted nothing along the corporation line. Would

Dulles then be operated, do you presume, as Washington National is now being operated?

Mr. LITKE. I would think so; yes, sir.

Mr. DEVINE. And is it within your knowledge that Washington National at the present time is operating at least at a break-even point and perhaps making a little money?

Mr. LITKE. We recently issued a report on Washington National Airport for fiscal years 1959 through 1961. This report indicates that the FAA stated that the WNA operated at a profit. However, we believe that because of the accounting treatment accorded certain items of expense and revenue WNA actually operated at a loss.

Mr. DEVINE. At a substantial loss? That is a relative term. What figures are you talking about roughly? Are you talking about $50 or $50 million, or what?

Mr. RANDALL. We are talking about the difference between the profit recorded of about $400,000 when actually it was a loss of about $300,000. That is a difference of $700,000. The principal reasons for this were the failure to record the liability for accrued annual leave of about $200,000, the splitting of depreciation by putting part of it through the expenses of the airport and part through the investment account, and the recording of only part of the imputed interest as an expense of operating the airport.

Mr. DEVINE. By a difference in accounting treatment you have reduced a $400,000 profit to a $300,000 loss?

Mr. RANDALL. This is caused by the treatment of depreciation and interest expense as adjustments to the investment account rather than charging them through the operating accounts that results in this profit.

Mr. DEVINE. We today have various means to arrive at different conclusions, but it leads me to the next question and perhaps you will change my opinion on this. Is it the opinion of your organization that the Washington National Airport, operated by the Federal Aviation Agency, is being operated in an efficient and businesslike manner?

Mr. RANDALL. We had only two problems at WNA which indicated that there was inefficiency in operations. The principal problem was the delay in entering into agreements with the airlines for certain landing fees and space requirements.

WNA has now entered into new interim agreements which have just about doubled the landing fees and the rental charges. When these new rates become fully effective, it should increase revenue considerably, and WNA eventually should be on a self-sustaining basis.

Mr. DEVINE. Then I again ask the same question. Is it the opinion of the general accounting office that Washington National is now being operated on a businesslike and efficient basis?

Mr. RANDALL. Yes; it is.

Mr. DEVINE. Do you think the enactment of this legislation would improve those practices that are now in operation at Washington National?

Mr. RANDALL. The form of organization doesn't matter. It is the head of the organization directing the operations that matters, and he can direct it just as well as a Federal agency as he can as a corporation.

Mr. DEVINE. Did you say whether he can, or that he can't?

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Mr. RANDALL. He can.

Mr. DEVINE. That would also apply to Dulles International?

Mr. RANDALL. That is correct.

Mr. DEVINE. In your opinion?

Mr. RANDALL. Yes, sir.

Mr. DEVINE. Thank you, Mr. Chairman.

Mr. WILLIAMS. Mr. Sibal.

Mr. SIBAL. No questions.

Mr. WILLIAMS. Is there any further questioning on this point?

Mr. FRIEDEL. Mr. Chairman, I first want to congratulate Mr. Litke on his fine statement. The point that I want to bring up here is this. There was some talk that if they formed a Corporation and ran it in an efficient manner they could transfer funds from the Washington National to operate Dulles under this corporation setup.

Mr. LITKE. It would be possible as far as we know.

Mr. FRIEDEL. I notice here that on page 3 we specifically say:

> In the determination of such rates and charges, each airport under the jurisdiction of the Corporation shall be considered as a separate entity and the Corporation shall give due consideration to the costs of operation of—

and so forth and so on.

I think the question we asked is whether they could transfer funds from one airport to another, and I thought you said yes under this proposed bill.

Mr. HEMPHILL. Would the gentleman yield to me at this point?

Mr. FRIEDEL. Yes.

Mr. HEMPHILL. Actually if landing fees are going to be just assessed for those purposes, they have to be treated as separate entities because otherwise we will be charging some company for landing at National the fees you would charge landing at Dulles, it seems to me.

Mr. FRIEDEL. In other words, it is only as far as landing fees that they should be treated as separate entities?

Mr. HEMPHILL. No. That is just one of the reasons I would think.

Mr. FRIEDEL. I thought that we were separating both airports under the proposed Corporation bill. The Corporation could appoint a manager for Washington National and one for Dulles. That is my interpretation of it.

I am getting more confused as we go along. I like what this gentleman said, that it can be run under the FAA in an efficient manner without the Corporation.

Mr. RANDALL. Yes, sir.

Mr. FRIEDEL. That is all.

Mr. WILLIAMS. Mr. Litke, I personally would certainly go along with Mr. Hemphill and his suggestion that the Congress should give consideration to any suggestions made by the agency for reorganization which would promote the efficient operation of these two airports.

I can't go quite as far as he did in suggesting that the issue of congressional control was a "red herring." I feel that the Congress has a constitutional responsibility to exercise control and oversight over the expenditures of public funds to insure that these funds are expended in a most prudent manner.

With respect to the particular thing that we are talking about at the moment, if you go to page 14, section 11, you find that—

> The Corporation is authorized to use its funds, from whatever source derived, in the exercise of its corporate powers and functions, except that the Corporation

shall not undertake any capital projects, or new types of activities, not included in the annual budget program prescribed by section 102 of Government Corporation Control Act.

Taking that language at face value and not being too familiar with section 102 of the Government Corporation Control Act, I would assume that a budget would be required to be submitted to the appropriate committee of the Congress for approval or to the Congress itself for approval in advance of the fiscal year. On the assumption, for instance, that the budget should be submitted, which would include the purchase of additional property and the building of a multimillion dollar hotel, what authority would the Congress have with regard to acting on that budget, should the Congress disapprove of this particular project under section 102 of the Government Corporation Control Act?

Mr. SAVAGE. Mr. Chairman, I would like to try to answer that question. The matter of congressional control is a question of degree here. Under the usual Government corporation processes, the budget is submitted under the Government Corporation Control Act and usually the only definitive or definite action which the Congress has to take is to set a limit on the administrative expenses.

The actual construction and other aspects of the program, whatever it may be, are presented to the Congress, but usually the Congress does not have to take definite action approving it or disapproving it.

It is a matter that they can act on or not, as the case may be. The presumption may be, since it is presented and they don't take any action, that they approved what was presented.

Mr. WILLIAMS. I am not as much concerned with what Congress might do as with what authority Congress has.

Mr. SAVAGE. The Congress has the authority to take such action as they desire.

Mr. WILLIAMS. Congress can approve or disapprove specific projects in the budget.

Mr. SAVAGE. Absolutely. There is no question about that.

Mr. WILLIAMS. Actually Congress retains control over the projects or the functions that are listed on page 6 under subparagraphs (A), (B), (C), and (D)?

Mr. SAVAGE. They have the opportunity to exercise such control as they desire.

Mr. WILLIAMS. That is the point I wanted to bring out.

Mr. SAVAGE. The comparison there is that they don't have to take specific action, whereas in the case of appropriations, they do have to take specific action.

Mr. WILLIAMS. So to that extent, of course, the suggestion that Congress is relinquishing control over specific projects would have to be modified to that extent?

Mr. SAVAGE. That is right. Congress can exercise such control as it desires under the Corporation. There is no question about that.

Mr. WILLIAMS. Any further questions on that particular point?

Mr. FRIEDEL. Mr. Chairman, yes. I understand that a motel or hotel is being built or is to be built at Dulles Airport. Is there anyone here that can answer that question? Is that true or not?

Mr. RANDALL. That is true, sir.

Mr. FRIEDEL. By what authority was that done?

Do you know, Mr. Chairman?

Mr. WILLIAMS. I don't know.

Mr. FRIEDEL. I understand there is a motel or hotel being built or going to be built. There is an agreement made and everything and we don't know anything about it.

Mr. HEMPHILL. They needed one out there.

Mr. FRIEDEL. It is not a question of whether they need it or not. I want to know by what authority.

Mr. WILLIAMS. Perhaps that question would be better directed to the Federal Aviation Agency.

Would you mind waiting for that?

Mr. FRIEDEL. No.

Mr. WILLIAMS. The third suggestion for a change in or modification of the bill would be where, Mr. Litke?

Mr. LITKE. Section 6(5)(D), page 6, line 19, would allow contractors or lessees to alter, repair, or improve property of the Corporation. In this connection, we direct attention to the possibility of concessionaires and tenants obtaining a vested and continuing interest in the improvements made by them to Government-owned property which would necessitate subsequent expenditures by the Government to remove such vested interests.

In addition, this authority would permit substantial changes to be made to Government-owned property without specific approval by the Congress, thereby reducing congressional control.

Mr. WILLIAMS. Would you like to elaborate on that just a little further, please?

Mr. LITKE. For instance, if, through their authority to enter into contracts with concessionaires various additions were made to the concessionaires' area at the airport building or buildings erected on the surrounding property, when the concession expired, instead of having the concessionaire remove whatever he has done, presumably the Federal Government would have to do this at its own expense.

Mr. WILLIAMS. Use as an example Page Aircraft, which, I believe, is operating out there now, I suppose in the capacity of a fixed-base operator, general aircraft. Does this contemplate, in the event they should decide to put an administration building on the field and should get permission to do so at their own expense, that should their contract expire and the Page Aircraft would no longer have the right to operate on the field, this does not require that they remove that building from the premises?

Mr. LITKE. It would depend on the nature of the concession. It could very well be written in the concessionaire's contract.

Mr. WILLIAMS. Wouldn't that be something to be negotiated? Wouldn't that be something to be considered in the negotiation of a contract with a concessionaire?

Mr. BROWN. I would consider that a matter for negotiation in the contract, not necessarily by legislation.

Mr. WILLIAMS. That brings us up to this point. The Congress is hardly in a position to negotiate contracts and that is, in my opinion, a pretty good argument for the creation of a corporation so that the corporation could enter into such contracts and with such materials and stipulations which might serve the benefits of the Government.

I don't want to argue the point, but it is rather difficult for me to understand.

Mr. FRIEDEL. Mr. Chairman, would you yield?

Mr. WILLIAMS. Yes.

Mr. FRIEDEL. On the same point, could the FAA do the same as they are now?

Mr. SAVAGE. Excuse me, Mr. Chairman. I think this gets to the point that relates to the motel. I don't personally happen to know under what authority they may be constructing a motel, if they are so constructing one at the present time, but this would be the type of thing we are talking about here.

Mr. WILLIAMS. If they are constructing the motel at the present time, I presume that you folks would cut down on their expenditures.

Mr. SAVAGE. If we were reviewing that particular aspect of it that would probably be true, but just as a matter of principle, if they could build a motel or some other type of operation under a contract with a concessionaire, if this is permissible under existing legislation, it doesn't matter whether it is a corporation or whether it is a regular Government agency involved here, but it is the fact that they can negotiate an extensive operation without the knowledge of the Congress and then later on, 4 or 5 years or 10 years in the future, the Government may have some difficulty with a contractor in getting rid of this particular property or modifying it to suit the Government's interest at that particular stage of the game.

If this is something of which Congress has knowledge, the Congress then knows what is going on and has concurred in this, but our only point here is that if this can be done to a great degree and extensive modifications can be made without congressional consent, we are simply pointing it out that this is what can happen, and whether it is desirable or not is up to the Congress to decide.

Mr. WILLIAMS. We have several other corporations and I would presume that this same objection was made when these other agencies were created.

Mr. SAVAGE. Of course, it depends here to some extent, I think, on the nature of the operation of the Government corporation. Some Government corporations are only engaged in conducting their own operations.

They don't operate through concessionaires.

Mr. WILLIAMS. Do we have any Government corporations which do business with concessionaires?

Mr. SAVAGE. I am, offhand, not aware of any, but the National Park Service, for instance, does a great deal of business through concessionaires and this particular point was one in which we had some experience in the National Park Service reviews.

Mr. WILLIAMS. Have you had any difficulty with it?

Mr. SAVAGE. I think the Park Service has had difficulties, yes.

Mr. HEMPHILL. May I ask a question right there? If an air traffic controller out here at National or up at Dulles would make a mistake under the present law and because of his mistake two big airliners ran together, what is the limit of liability on the part of the U.S. Government, or is there a limit under present law?

Mr. SAVAGE. I am not qualified to answer that, Mr. Chairman. This is a legal question and I don't know.

Mr. HEMPHILL. I thought you had that field. Excuse me.

Mr. SAVAGE. I don't personally. I am not a lawyer. Our office might be able to give you an answer if you are interested in having an answer to that question.

Mr. HEMPHILL. Yes, I would certainly be most grateful to you. I think we ought to know because we are in the business of running airports now.

Mr. WILLIAMS. You are not going to face that problem with Dulles, I am afraid, for several years.

Mr. HEMPHILL. If I am getting into a field in which your particular agency doesn't have the know-how, you tel me. I would be not only interested in the tower operation, for instance, but suppose a fellow drives one of those big buses out there, or whatever those things are, and would run in front of an airplane. What is the limit of liability? The reason I ask that is because I think we have to face that question and one of the reasons that I favor a corporation is the possibility of limiting the liability of the United States.

Mr. SAVAGE. Mr. Congressman, one of the functions of our office is to settle claims against the United States——

Mr. HEMPHILL. That is what I thought and that is the reason I asked the question.

Mr. SAVAGE. In instances where the agency has not been given the specific responsibility to do so, I feel reasonably sure that our office should be in a position to give you an answer.

I just don't personally happen to be able to do so.

Mr. HEMPHILL. Would that be too much of a burden for you to supply that?

Mr. SAVAGE. No, sir.

(The information to be furnished follows:)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, June 18, 1963.

B–120047.

HON. JOHN BELL WILLIAMS,
Chairman, Subcommittee on Transportation and Aeronautics, Committee on Interstate and Foreign Commerce, House of Representatives.

DEAR MR. CHAIRMAN: Reference is made to your letter of May 17, 1963, requesting our opinion concerning the extent of or limitations upon the liability of the National Capital Airports Corporation proposed by H.R. 826, 88th Congress, 1st session, to assume the operations of Washington and Dulles Airports, as distinct from the present liability of the United States in the operation of these airports directly by the Administrator for claims which might arise against it.

Those portions of H.R. 826 which appear to give rise to the above question are sections 4 and 6(3), the former of which reads as follows:

"The Corporation shall have its principal office in the District of Columbia or at one of the airports referred to in section 2 of this Act, and may establish at such airports such other offices of the Corporation as the Administrator may prescribe. *For purposes of venue in civil actions, the Corporation shall be deemed to be a resident of each of the jurisdictions in which such offices have been established.*" [Italic supplied.]

And section 6(3) provides that the Corporation shall have the power: "To sue and be sued in its corporate name."

We have made a thorough review of the statutes cited and the opinions expressed in the letter duted May 14, 1963, forwarded to your subcommittee by the Administrator of the Federal Aviation Agency concerning the same subject matter, a copy of which was furnished us with your letter, and, in our opinion, the issues presented appear to be adequately covered therein.

As pointed out in that letter, the provisions of section 4 of the proposed legislation would have no effect upon actions in tort which may arise out of the activities of the Corporation and which would be maintainable under the Tort Claims Act, and the residence of the Corporation is immaterial insofar as venue of actions on such claims is concerned, since 28 U.S.C. 2679 provides that the authority of any Federal agency to sue and be sued shall not be construed to authorize suits against such agency on claims which are cognizable under section 1346(b) of that title. Venue in such actions is controlled by section 1402(b) of title 28, United States Code, which provides as follows:

"Any civil action on a tort claim against the United States under subsection (b) of section 1346 of this title may be prosecuted only in the judicial district where the plaintiff resides or wherein the act or omission complained of occurred."

Concerning the matter of liability for such tort claims, it is obvious that since the Corporation would be an agency of the United States, the creation of the Corporation would in no way affect the Government's liability, or the substantive law applicable thereto, or the amount of damages recoverable. In this connection, section 2671 of title 28 of the United States Code provides that as used in tort claims provisions thereof the term "Federal agency" includes, inter alia, "corporations primarily active as instrumentalities or agencies of the United States." However, the Corporation might, in the absence of any restrictions in H.R. 826 of its liability to suit, be liable for certain acts enumerated in 28 U.S.C. 2680 for which the United States is not liable.

With respect to nontortious liability, in an opinion dated January 19, 1951, reported in 30 Comp. Gen. 315, we held that, "Generally, Government corporations such as the Reconstruction Finance Corporation which may sue and be sued are, in the absence of legislation to the contrary, subject to the same standards applicable to other litigants, and are not vested with governmental immunity from the payment of costs." In support of that conclusion, we cited the Supreme Court case of *Reconstruction Finance Corp.* v. *J. G. Menihan Corp., et al.*, 312 U.S. 81.

Accordingly, we agree with the Administrator's conclusion with respect to contract litigation that (1) there is no law similar to the Tort Claims Act providing an exclusive remedy; (2) the Corporation could be sued in contract in its own name; (3) final judgment in a contract action could be entered against the Corporation, or perhaps, in certain cases against the United States, or both, and (4) there is no monetary limit on recovery in a contract action. We would point out also that actions against the corporation would not be within the jurisdiction of the Court of Claims, as would such actions against the United States.

With respect to venue in actions against the Corporation in its own name, since the airports are located in the Commonwealth of Virginia the Corporation obviously would be doing business there; but since it might not be so clear that the existence of an office of the Corporation in the District of Columbia would constitute "doing business," the apparent purpose of section 4 of the bill is to remove any uncertainty with respect to the appropriate forum for civil proceedings against the Corporation in its own corporate capacity by providing that the Corporation may be sued in either the District of Columbia or Virginia, should it maintain offices in both jurisdictions.

Since the procedures governing the payment of judgments adequately set forth in the Administrator's letter had, as you will note, been previously discussed with representatives of our Office, we have nothing further to add.

In conclusion, therefore, and for the reasons set forth above, it is our view that the extent of or limitation upon the liability of the Corporation proposed by the bill would be no different from the present liabilities of the United States in the operation of the airports directly by the Adminstrator for claims which may arise against it, except to the extent to which the Corporation might be liable in cases to which the Government's immunity from suit has not been extended; for example, those exclusions enumerated in title 28, United States Code, section 2680.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

Mr. HEMPHILL. Mr. Chairman, I would like to put it in the record if you think it appropriate, because I think we have this baby on our hands and we are going to have to solve the problem.

Mr. WILLIAMS. All right.

Mr. HEMPHILL. The longer we put it off, the longer we are leaving the United States of America liable. It would be a horrible thing with millions of dollars involved and we wouldn't have any limit under the present law.

Mr. FRIEDEL. Mr. Chairman, I would like to say this for the record. It was stated before our committee that there are many Government corporations now in existence and Mr. Halaby mentioned the Develop-

ment Loan Fund, the Export-Import Bank, Federal Crop Insurance, and others.

It is true that all of these corporations provide important services, but I would like to point out that none of these corporations operate an agency which controls a service the public cannot do without or must have.

The traveling public cannot do without adequate airline service in this jet age. I think this makes the FAA-proposed Corporation different than any now in existence.

If the Export-Import Bank regulated all of the banks in the country you might be abe to compare it with the FAA Corporation, or if the Development Loan Fund was responsible for all loans made in the country you might be able to compare it with the FAA Corporation.

However, the FAA is proposing the creation of an entirely different type of corporation to be controlled by the same officials who regulate the airline service of the country.

Therefore, I do not think there is any comparison between the corporations that are existing now and this Corporation as proposed by the FAA.

I want that in the record, Mr. Chairman.

Mr. WILLIAMS. With respect to the suggested change in subparagraph (D), on page 6, where it is suggested the Congress is relinquishing control, does the General Accounting Office suggest any amendatory language?

Mr. SAVAGE. Here again, Mr. Chairman, in any of these specific areas, if you would desire to have specific language suggested, I think we could best do that and submit this to you in writing. We have not developed it at the present time.

(The information to be furnished follows:)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, June 5, 1963.

Hon. JOHN BELL WILLIAMS,
Chairman, Subcommittee on Transportation and Aeronautics,
Committee on Interstate and Foreign Commerce,
House of Representatives.

Dear MR. CHAIRMAN: Further reference is made to our letter dated April 24, 1953, commenting on H.R. 826, 88th Congress, 1st session, entitled "A bill to create the National Capital Airports Corporation, to provide for the operation of the federally owned civil airports in the District of Columbia or its vicinity by the Corporation, and for other purposes."

As you know, at the hearings, following our remarks with respect to specific sections of H.R. 826, we were requested to furnish to your subcommittee suggested language to be incorporated in the bill which would, in our opinion, carry out the substance of our recommendations.

Accordingly, we repeat below our section-by-section comments which we made in our letter of April 24, followed by the suggested language requested:

Section 5(a) (p. 3, line 2) provides for the setting of rates and charges on a self-sustaining basis while section 5(b) (p. 3, line 10) provides that rates and charges be consistent with rates and charges of a similar nature at comparable airports within the United States. There is a possibility of a conflict between these two provisions, particularly in the case of Dulles International Airport which, in the first years of operation, may not be able to operate on a self-sustaining basis if rates and charges are consistent with those of comparable airports.

We recommend that lines 9 through 16 on page 3 be changed to read as follows:

"(b) The rates and charges for space, facilities, and services shall be fair and reasonable and shall be on a self-sustaining business enterprise basis with due consideration given to the rates and charges of a similar nature at comparable airports within the United States. The annual budget program of the

Corporation, as required to be submitted to the Congress by section 103 of the Government Corporation Control Act, shall set forth a statement of, and the basis for, such rates and charges. Exclusions of costs from the base used in determining such rates and charges shall be specifically approved by the Congress."

Section 6(5) (A) and (B) (p. 6, lines 5–10) provides for acquiring property and constructing buildings and improvements without specific authorization by the Congress. The only restriction placed on the initiation of capital projects or new types of activities is that contained in section 11 (p. 14, line 17) that such capital projects or new activities shall be included in the annual budget program prescribed by section 102 of the Government Corporation Control Act. We believe the Congress would be provided with better control if H.R. 826 provided that the Congress would have to specifically approve items of this nature before they could be undertaken; this could be accomplished by requiring approval in annual appropriation acts of such projects and new activities with such limitations as the Congress may decide to establish.

Section 6(5)(D) (p. 6, lines 19–25) would allow contractors or lessees to alter, repair, or improve property of the Corporation. In this connection, we direct attention to the possibility of concessionaires and tenants obtaining a vested and continuing interest in the improvements made by them to Government-owned property which would necessitate subsequent expenditures by the Government to remove such vested interests. In addition, this authority would permit substantial changes to be made to Government-owned property without specific approval by the Congress, thereby reducing congressional control.

In order to accomplish the purpose of these recommendations, therefore, we recommend that after the word "therein" in line 7 on page 6, a comma be substituted for the semicolon, followed by the phrase:

"subject, however, to a limitation in the amount of $———, beyond which limitation there shall be prior approval of the Congress."

We likewise recommend insertion of the same language following the word "Corporation" in line 10 on the same page.

We also recommend that following the word "Corporation" in line 25, page 6 of the bill, there be inserted the following:

"*Provided, however*, That any contract or agreement to alter, repair, or improve property under this section may not be entered into where the investment or cost thereof amounts to more than $—— without prior approval by the Congress: *Provided further*, That any construction by a contractor or lessee on such property, the cost of which shall be in excess of $—— likewise shall be subject to prior approval by the Congress."

Section 6(10) (p. 8, line 3) includes the word "specifically" which, as suggested in our comments on H.R. 7399, 87th Congress, should be omitted from H.R. 826.

We make this recommendation for the reason that the word "specifically," in our opinion, would create a blanket exemption from all the statutes enacted by the Congress, from time to time, with respect to the business transactions of the United States unless such statutes were, by their terms, made applicable specifically to Government corporations.

Section 10(b) (beginning on p. 12, line 19) which prescribes the basis for the computation of interest to be paid into the Treasury appears to be unduly complicated. For example, it involves an analysis of expenditures by fiscal year for the assets transferred to the Corporation (p. 13, line 15). In our opinion, the same general objective could be accomplished if H.R. 826 provided for the payment of interest at rates established by the Secretary of the Treasury on the basis of the Government's net investment in the Corporation as provided for in the law applicable to the Panama Canal Company. If the Congress should want to exclude certain items from the interest base, this could also be provided for in the bill.

In consonance with the above, we recommend that section 10(b) on page 12, beginning at line 19, be revised to read as follows:

"(b) The Corporation shall pay into the Treasury of the United States as miscellaneous receipts at the close of each fiscal year, interest on the Government's investment in the Corporation consisting of the net amount of funds advanced or other net assets transferred to the Corporation. The interest rate to be used for his purpose shall be determined by the Secretary of the Treasury, taking into consideration the average yield to maturity on marketable obligations of the United States having a maturity date of fifteen years or more, outstanding at the beginning of the fiscal year in which the funds were advanced or other net assets were transferred. Such interest rate shall remain in effect for so long

as any portion of the net investment to which such rate applies remains outstanding, but no longer than a period of fifteen years."

Section 10(c) (beginning on p. 13, line 21) provides for crediting payments to the Treasury of funds excess to current needs to the appropriation account from which advances are made. This provision does not appear necessary since such a determination would be arbitrary because of the impossibility of determining whether excess funds were generated from appropriations or from receipts from operations. This provision would also tend to lessen congressional control due to the fact that such payments would be available to the Corporation without going through the appropriation process. Funds considered in excess of current needs would be available for future use without specific congressional authorization.

Accordingly, we recommend that section 10(c) on page 13, beginning at line 21, be revised to read as follows:

"(c) Whenever any money in the fund is determined by the Administrator to be in excess of the needs of the Corporation, such excess amount shall be paid into the Treasury of the United States as miscellaneous receipts. Appropriations or other funds received by the Corporation shall be used solely for the purposes of the Corporation."

Section 10(e) (beginning on p. 14, line 9) which provides that advances from appropriations to cover actual losses of prior years shall not require the payment of interest does not seem to be consistent with the declared objective stated in section 5(a) (p. 3, line 2), of H.R. 826 that to the maximum extent practicable the Corporation should operate on a self-sustaining basis consistent with sound commercial practices. In a commercial operation, it is a sound practice to attempt to recover losses in a current period from future operations whether through reduction of costs, adjustment of rates charged, increase in volume of business, or a combination of all three. The exclusion of interest from such an item would result in failure of the Corporation to be entirely self-sustaining. Accordingly, it is suggested that the Congress may wish to consider limiting this provision to extraordinary losses resulting from unforeseen catastrophe or disaster.

In view thereof, we recommend the following revision of section 10(e) on page 14, beginning at line 9:

"(e) There are authorized to be appropriated, without fiscal year limitation, such sums as may be necessary to carry out the provisions of this Act. Advances to the fund shall be made from such appropriations as requested by the Manager. Advances from appropriations to cover actual losses resulting from unforeseen catastrophe or disaster shall not require payment of interest under subsection (b) of this section."

Section 13 (p. 16, lines 3 to 17) provides for the use of the Corporation's airports by aircraft of the Department of Defense without charge. Such use without charge would be consistent with the provision in section 11(4) of the Federal Airport Act (49 U.S.C. 1110), for public airports developed, in part, with Federal funds. However, this section of the Federal Airport Act authorizes public airports to assess charges in those cases where substantial use is made of the airport facilities. In an audit on the operations at Washington National Airport for fiscal years 1959, 1960, and 1961, currently in process, we noted that space rentals and landing fees not recovered from the Department of the Air Force in fiscal year 1961 totaled $59,340, or about 3 percent of the total airport operation. We, therefore, recommend that section 13 on page 16 be revised as follows:

"Section 13. The facilities of any airport under the jurisdiction of the Corporation and the facilities usable for the landing and takeoff of aircraft, including aids to navigation, shall be available to the United States for use by aircraft used or operated by or for the Department of Defense. Appropriate charges, proportional to such use, of the cost of operating and maintaining the airport facilities shall be paid by the Department of Defense. The Administrator may, consistent with national defense requirements, curtail or limit the use of the facilities of the Corporation by aircraft of the Department of Defense if such use, in his judgment, unreasonably impairs or interferes with the use of such facilities by civil aircraft."

Section 14 (beginning on p. 16, line 18) which provides for the furnishing of space without charge to certain Government agencies should also be considered in relation to the operation of the Corporation's airports on a self-sustaining basis. Public Law 87-255 (75 Stat. 527) amended section 109 of the Federal Aviation Act of 1958 (49 U.S.C. 1509) to authorize the appropriation of funds

to enable certain Federal agencies to acquire necessary space at public airports. The agencies involved are the Immigration and Naturalization Service, Public Health Service, Bureau of Customs, and the Plant and Animal Quarantine Service. The provision in Public Law 87-255 applicable to public airports (as defined in the Federal Airport Act) could be made applicable to the Corporation's airports in H.R. 826.

We, therefore, recommend the following revision of section 14, on pages 16 and 17 of the bill:

"Section 14. The Corporation shall furnish to any agency of the Government such space in airport buildings as may be reasonably adequate for use in connection with any air traffic control activity, or weather reporting or communications activities, related to airport air traffic control, which the Administrator may deem necessary to establish and maintain at the airport. Appropriate charges shall be made for the use of such space as provided for in section 1109 of the Federal Aviation Act of 1958, as amended (49 U.S.C. 1509)."

Section 17(a) (p. 20, lines 4 to 18) provides for payments to State and local governments in lieu of taxes on real property. FAA presently does not make payments in lieu of taxes on real property owned by the Government.

As your committee was informed orally in our testimony, this situation was brought to the attention of your committee for information only, and we have no recommendation to make with respect thereto.

General.—H.R. 826 does not contain a provision such as was contained in H.R. 7399, 87th Congress, to transfer to the Corporation the unexpended balances of any appropriations made for the construction, operation, and maintenance of the airports to be transferred to the Corporation. This could create a confusing situation whereby the airport operations would be financed in part by funds not available to the Corporation so that the corporate financial statements would not disclose all financial activities related to the airports for which it would have the responsibility for administration.

Therefore, in connection with this general statement, we would recommend a revision of section 10(a) beginning at line 20, on page 11, to read as follows:

"(1) such amounts as may be advanced to the fund upon the request of the Manager from appropriations made for that purpose;

"(2) the unexpended balances of any appropriations available for construction, operation, and maintenance of the National Capital Airports as my be determined by the Administrator and approved by the Director of the Bureau of the Budget;

"(3) such of the unexpended balances of appropriations available for use by the Federal Aviation Agency for the construction, development, operation, or maintenance of any airport which is, or may be transferred to the Corporation under this Act, as may be determined by the Administrator and approved by the Director of the Bureau of the Budget;

"(4) the value of any net assets transferred to the Corporation as of the date of its transfer to the Corporation; and

"(5) receipts from operations under this Act."

The information requested as to the comparative liability of the United States under the present operational setup and under the proposed corporate management on account of negligence resulting in third party damage is being prepared and will be furnished as soon as it is completed.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

Mr. WILLIAMS. On all of these points that you are raising, as I understand it, each of these points that you raise is based on your feeling that the Congress is relinquishing control?

Mr. SAVAGE. This is the primary point, yes.

Mr. WILLIAMS. Over the expenditure of public funds. I think that the committee would certainly welcome any suggested amendatory language that you might want to strengthen congressional control of this Corporation in the event that the Congress sees fit to create a corporation.

Mr. FRIEDEL. Mr. Chairman, I would like to ask if GAO has given a report on H.R. 2081?

Mr. SAVAGE. Yes, a no comment report, Mr. Chairman.

Mr. FRIEDEL. I would like to have a report on it.

Mr. WILLIAMS. It might be well for the General Accounting Office to take a look at H.R. 2081 and give us their views on it also if you are not prepared to do so now.

(The information mentioned above follows:)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, April 1, 1963.

Hon. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives.

DEAR MR. CHAIRMAN: Further reference is made to your letter of February 14, 1963, acknowledged on February 18, requesting the comments of the General Accounting Office concerning H.R. 2081, 88th Congress, 1st session, entitled "A bill to transfer certain administrative responsibility for the operation of Washington National Airport and Dulles International Airport from the Administrator of the Federal Aviation Agency to a Washington Airports Board, and for other purposes."

We have no special information or knowledge as to the desirability or need for the proposed legislation and, therefore, we make no recommendation with respect to its enactment.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

Mr. WILLIAMS. In subparagraph (D) on page 6, you make a suggested policy change. What is your next suggested place for amendment?

Mr. LITKE. Section 6(10), page 8, line 3, include the word "specifically", which, as suggested in our comments on H.R. 7399, 87th Congress, should be omitted from H.R. 826.

Mr. WILLIAMS. I think that probably speaks for itself. Your next point.

Mr. LITKE. Section 10(b), page 12, line 19, which cites the basis for the computation of interest be paid into the Treasury, appears to be unduly complicated. For example, it involves an analysis of expenditures by fiscal year for the assets transferred to the Corporation, page 13, line 15.

In our opinion, the same general objective could be accomplished if H.R. 826 provided for the payment of interest at rates established by the Secretary of the Treasury on the basis of the Government's net investment in the Corporation as provided for in the law applicable to the Panama Canal Company. If the Congress should want to exclude certan items from the interest base, this also could be provided for in the bill.

Mr. HEMPHILL. May I ask you something right there, sir? After looking this thing over, do you have an opinion as to whether or not these two airports will become self-sustaining at any given time, either in combination or separately?

Mr. LITKE. All we have done is to review what FAA has stated about Dulles, and, of course, they believe that it will become self-sustaining in 10 years or so from now. With the new rates that they put in at WNA this also should be self-sustaining.

Mr. HEMPHILL. It just occurs to me that we might have some ambition to get out of the airport business. I certainly think we should get out of the business at some time.

The problem is if you ever get it on a self-sustaining basis and sell it to some private corporation, they will say it is a deal or something

like that. One of the reasons, I think, for the Corporation is that perhaps it might give us some opportunity someday to get out of the airport business.

I don't think we have any business in it, but we are in it and can't help it. I go along with Mr. Friedel that if we could get our money back we could go to Friendship.

Mr. FRIEDEL. I think the Government should get out of this airport business, and keep the FAA out of it too. Keep them confined to safety and their other duties. That is the point I am arguing. I think the FAA should do what they are supposed to do and let the airports be run by a corporation separate from the FAA.

That is the main place we differ. When we set up a private corporation, keep the FAA out of it.

Mr. WILLIAMS. Specifically how would your suggestion change this situation or how would it change the provisions of subparagraph (b) on page 12? In other words, what would be the practical effect of the change of language?

Mr. SAVAGE. Just a matter of simplicity is all, simplicity in the computation of interest.

Mr. WILLIAMS. You mean for all practical purposes there would be no change?

Mr. SAVAGE. Not significantly.

Mr. WILLIAMS. In the operation?

Mr. SAVAGE. No. This is simply a matter of simplicity in the approach and there is previous precedent for approaching the computation in the manner in which we have suggested, that is, on the basis of the net investment of the Government in the corporation, excluding whatever items which the Congress may decide that they may want to exclude.

Mr. WILLIAMS. I think the committee would welcome some suggested language there so we would have an opportunity to look it over.

(The information to be furnished appears on p. 148.)

Mr. WILLIAMS. What is the next point?

Mr. LITKE. Section 10(c), page 13, line 21, provides for crediting payments to the Treasury of funds excess to current needs to the appropriation account from which advances are made. This provision does not appear necessary since such a determination would be arbitrary because of the impossibility of determining whether excess funds were generated from appropriations or from receipts from operations. This provision would also tend to lessen congressional control due to the fact that such payments would be available to the Corporation without going through the appropriation process. Funds considered in excess of current needs would be available for future use without specific congressional authorization.

Mr. FRIEDEL. In other words, the funds they have in excess they could keep and wouldn't have to turn them back to the Treasury. Isn't that another way of getting away from the jurisdiction of the Congress?

Mr. LITKE. Yes, sir.

Mr. SPRINGER. What you mean in this instance is that this would not have to be appropriated?

Mr. LITKE. That is right.

Mr. WILLIAMS. Your next point.

Mr. LITKE. Section 10(e), page 14, line 9, which provides that advances from appropriations to cover actual losses of prior years shall not require the payment of interest does not seem to be consistent with the declared objective stated in section 5(a), page 3, line 2, of H.R. 826 that to the maximum extent practicable the Corporation should operate on a self-sustaining basis consistent with sound commercial practices.

In a commercial operation, it is a sound practice to attempt to recover losses in a current period from future operations whether through reduction of costs, adjustment of rates charged, increase in volume of business, or a combination of all three.

The exclusion of interest from such an item would result in failure of the Corporation to be entirely self-sustaining. Accordingly, it is suggested that the Congress may wish to consider limiting this provision to extraordinary losses resulting from unforeseen catastrophe or disaster.

Mr. WILLIAMS. Do I understand that your objection to that language is based on two things? One is the forgiveness of the interest, and, second, the possible loss of congressional control?

Mr. LITKE. Mostly from a self-sustaining basis, sir.

Mr. SAVAGE. I don't think there is any question of loss of congressional control here. It simply is a matter that if it is self-sustaining you can't forgive interest to this extent and still be self-sustaining.

Mr. WILLIAMS. That comes under the term "to the maximum extent practicable" which modified that original language.

Mr. SAVAGE. Not insofar as the recording of this particular interest is concerned. In other words, if no interest on these prior year losses was to be computed in determining the cost of the airport, then this would not be a cost for the recovery through landing fees or any other income of the airport, so this would simply be a cost to the Government that would not show up as a cost to the airport.

Mr. WILLIAMS. The next item.

Mr. LITKE. Section 13, page 16, line 3, provides for the use of the Corporation's airports by aircraft of the Department of Defense without charge. Such use without charge would be consistent with the provision in section 11(4) of the Federal Airport Act for public airports developed, in part, with Federal funds.

However, this section of the Federal Airport Act authorizes public airports to assess charges in those cases where substantial use is made of the ariport facilities.

In our audit of the operations at Washington National Airport for fiscal years 1959 through 1961 we noted that space rentals and landing fees not recovered from the Department of the Air Force in fiscal year 1961 totaled $59,340, or about 3 percent of the total airport operations.

Mr. FRIEDEL (presiding). Any questions?

Mr. SPRINGER. No questions.

Mr. FRIEDEL. The next one.

Mr. LITKE. Section 14, page 16, line 18, which provides for the furnishing of space without charge to certain Government agencies should also be considered in relation to the operation of the Corporation's airports on a self-sustaining basis.

Public Law 87-255 amended section 109 of the Federal Aviation Act of 1958 to authorize the appropriation of funds to enable certain Federal agencies to acquire necessary space at public airports.

The agencies involved are the Immigration and Naturalization Service, Public Health Service, Bureau of Customs, and the Plant and Animal Quarantine Service. The provision in Public Law 87–255 applicable to public airports, as defined in the Federal Airport Act, could be made applicable to the Corporation's airports in H.R. 826.

Mr. FRIEDEL. Could you furnish us the proper language to correct that?

Mr. LITKE. Yes, sir.

(The information requested appears on p. 148.)

Mr. FRIEDEL. Any other questions? Proceed.

Mr. LITKE. The next one is section 17(a), page 20, line 4, which provides for payments to State and local governments in lieu of taxes on real property. FAA presently does not make payments in lieu of taxes on real property owned by the Government.

Mr. SPRINGER. Let me just ask a question. Is that a matter of policy?

Mr. LITKE. Yes, sir.

Mr. SAVAGE. This is simply a matter of policy. This is usually true. Most regular Government agencies do not pay taxes, generally speaking, and FAA in this particular case does not happen to make payments in lieu of taxes. Most of the corporations do pay real property taxes. So this is the difference between the two approaches.

Mr. SPRINGER. You are saying then this Corporation should not pay taxes?

Mr. SAVAGE. No. We are not making any recommendation here. This is simply a matter of making a comparison.

Mr. SPRINGER. You haven't recommended any change? You have just set out what you believe the present policy is? Is that correct?

Mr. SAVAGE. This is the present practice in this particular situation. We have no objections to the present requirements so far as Government corporations are concerned insofar as their payment of real property taxes is concerned.

Mr. SPRINGER. Would you repeat that last sentence?

Mr. SAVAGE. I say our office has no objection to the present practice of Government corporations paying real property taxes. If I recall correctly, this is a matter that is included in the organic act of each Government corporation and they pay taxes because the law says that they shall pay them.

Mr. SPRINGER. So what you are saying then is the law is already there and as a corporation they shall pay real estate taxes? Is that what you are saying?

Mr. SAVAGE. I am not entirely sure of that, but I believe so in most cases.

Mr. HEMPHILL. May I ask a question there on the cost ascertainment which I understand is being done and will be done? In trying to find out what a proper landing fee is would the amount for taxes, whether paid or not, be included in your judgment?

Mr. SAVAGE. Of course, if the Government itself had no responsibility for taxes there would be no cost to the Federal Government. Actually they would be getting the benefit of this land tax free, you might say.

Of course, as a corporation they would be required to pay taxes or either make payments in lieu of taxes, and this then, of course, would

become a cost which would have to be taken into consideration in setting charges if they are going to be self-sustaining.

Mr. HEMPHILL. And, sir, whom would those taxes be paid to?

Mr. SAVAGE. They would be paid to the local authorities.

Mr. HEMPHILL. To the State of Virginia or the local county?

Mr. SAVAGE. Yes.

Mr. HEMPHILL. Thank you so much.

Mr. FRIEDEL. I am glad you brought that out. In other words, if it is under the FAA, the Government doesn't pay any taxes? If it is under the Corporation we would have to pay taxes to the county of Virginia and the State of Virginia?

Mr. SAVAGE. If this were enacted into law; yes.

Mr. FRIEDEL. Proceed, Mr. Litke.

Mr. LITKE. The last point is a matter of information. H.R. 826 does not contain such a provision as was contained in H.R. 7399, 87th Congress, to transfer to the Corporation the unexpended balances of any appropriations made for the construction, operation, and maintenance of the airports to be transferred to the Corporation. This could create a confusing situation whereby the airport operations would be financed in part by funds not available to the Corporation so that the corporate financial statements would not disclose all financial activties related to the airports for which it would have the responsibility for administration.

Mr. WILLIAMS. Could your agency submit some suggested language that you feel would take care of that?

Mr. LITKE. We would be happy to, sir.

(The information requested appears on p. 148.)

Mr. WILLIAMS. Are there any further questions of Mr. Litke? Mr. Litke, as you understand it, the objections raised this year in your report are almost identical to those that were submitted last year or in the last Congress when this legislation was under consideration?

Mr. LITKE. Yes, sir.

Mr. WILLIAMS. Aren't these generally the same objections that have been raised by the General Accounting Office against the creation of other Government corporations in the past?

Mr. LITKE. We have no policy against the creation of any corporation. What we do is look at the advantages, equate them against the disadvantages, and then we come up with a judgment.

Mr. WILLIAMS. Do you know of any cases where the General Accounting Office has not taken a position against the creation of a Government corporation?

Mr. LITKE. Yes, sir. One would be the St. Lawrence Seaway Corporation and an other would be the Development Loan Fund. I do not believe we raised any objection to these.

Mr. WILLIAMS. Would these same objections apply to the creation of those others in the past?

Mr. LITKE. With respect to the St. Lawrence Seaway, I don't know the reasoning for our position but on the Development Fund, I believe it was that the Fund before its incorporation already had the same type of authority.

It was basically incorporating the same thing so we didn't raise any objection.

Mr. WILLIAMS. Do you know of anything that sets this particular proposal apart from other proposals in the past to create Govern-

ment corporations, in other words, that would make your objections more specific toward this than it would toward the creation of certain other Government corporations, that makes this a different type of operation from the other Government corporations?

Mr. SAVAGE. The only thing on that particular point, Mr. Chairman, is the fact that you have an operation which has been in existence for a number of years, generally successfully operated under the present form of organization, whereas in the case of most existing Government corporations they were created originally as a corporation.

There was never any previous experience of operating under some other form of organization.

Mr. WILLIAMS. I believe, though, that you just stated that the Development Loan Fund you supported because it was already in existence and doing a good job and performing the same functions.

Mr. SAVAGE. But it was operating as a revolving fund, which is pretty much the same as a corporation insofar as congressional control is concerned.

In other words, they have the authority to use their own generated funds. As long as their operations generate enough funds, they don't have to come to Congress and get appropriations.

Mr. WILLIAMS. Are there any further questions?

Mr. FRIEDEL. Yes; just one, Mr. Chairman. In other words, there is actually no need of a corporation? The FAA can run Washington National and Dulles Airports in a basic way without the need of this corporation?

Mr. LITKE. This is our opinion; yes, sir.

Mr. FRIEDEL. Thank you.

Mr. WILLIAMS. We thank you, gentlemen.

Mr. LITKE. Thank you.

Mr WILLIAMS. Mr. Seidman, of the Bureau of the Budget.

STATEMENT OF HAROLD SEIDMAN, ACTING ASSISTANT DIRECTOR FOR MANAGEMENT AND ORGANIZATION, BUREAU OF THE BUDGET; ACCOMPANIED BY HOWARD SCHNOOR

Mr. SEIDMAN. Mr. Chairman, I am accompanied by Mr. Howard Schnoor, of my staff in the Bureau of the Budget, at my right. I have a statement and with your permission I would like to read it.

Mr. Chairman and members of the subcommittee, I am pleased to appear before you today to present the views of the Bureau of the Budget on H.R. 826, a bill to create a National Capital Airports Corporation, and on the comments expressed by the Comptroller General on the bill.

H.R. 826 would create a Corporation to operate and maintain the Washington National Airport and the Dulles International Airport. The bill would confer upon the Corporation the powers and financial flexibility customarily accorded, and necessary for the operations of Government corporations.

The bill also applies to the Corporation the types of controls which the Congress has in the past determined are best suited to Federal business activities.

The Bureau of the Budget strongly favors the objective of making the Washington National and Dulles International Airports self-

sustaining business enterprises. We believe that the use of the corporate form of organization and financing provided in H.R. 826 will greatly facilitate the accomplishment of that objective.

I would like to point out that the idea of incorporating the Federal airport operations in the Washington area goes back at least 14 years. In 1949, the first Hoover Commission, in its report on Federal business enterprises, recommended that straightline business activities, such as the Washington National Airport, be incorporated so as to secure greater flexibility in management and simpler accounting, budgeting, and auditing methods.

The Commission pointed out that the Congress and executive branch over the past 60 years have turned more and more to a corporate form similar to that developed in the business world to make possible more effective operations of Federal business enterprises.

Since 1949, every President and administrator of the Federal Aviation Agency and its predecessor agency, and this has been regardless of political party, has recommended establishment of a Government corporation to administer the Washington airports.

This unanimity and continuity of opinion on the part of responsible executive branch officials should, I believe, carry considerable weight.

In his letter of April 24 to the Committee on Interstate and Foreign Commerce, the Comptroller General takes what has become a traditional position for his office in opposition to bills to create the Airport Corporation and, indeed, to almost all other corporations in recent years.

His opposition is based on the concept that the public interest is best served when congressional control over activities is exercised through annual reviews and affirmative action on planned programs and financing requirements which attend the appropriation processes, and through the application of statutes and regulations which usually govern operations of Government agencies.

He states that there should be no departure from this standard unless there is a clear showing that an activity cannot operate successfully within this framework, and he concludes that changes—

> should be made only if their demonstrable merits in terms of more efficient operation of the activity clearly outweigh the disadvantages of reduced congressional control.

He does not believe that such a showing has been made with respect to the local airports.

The General Accounting Office position contrasts with an awareness for many years, both in the Congress and the executive branch, that the forms of organization, financial procedures and controls applied to traditional Government activities are not necessarily suitable to commercial activities such as civil airports.

That view was reflected by the enactment in 1945 of the Government Corporation Control Act which provided for new types of controls adapted to the special needs of Federal business operations.

In reporting on that act, the Senate Committee on Banking and Currency recognized that—

> the corporate form of organization is a useful device for carrying out a variety of Government services and programs, of a continuing as well as emergency character (S. Rept. 694, 79th Cong., 1st sess.).

One year later, in its report on the 1947 Government Corporations appropriation bill, the House Committee on Appropriations stated:

In recent years the Congress and the Government have found that the use of the Government Corporation structure is an effective and beneficial means of transacting Government business and effectually assisting the people of the Nation in the orderly promotion of benefits to the general welfare. The use of this type of structure gives elasticity of operation, permits the use of business methods, and facilitates the handling of governmental operations (H. Rept. 2269, 79th Cong., 2d sess.).

The General Accounting Office appears to imply that the use of appropriations as a control device is more important than efficient or effective operations. We would certainly agree that an appropriate type and level of control over Federal activities is essential. However, we strongly disagree with the concept that there is only one way to assure essential congressional control. Programs differ, and so do the kinds of controls that are appropriate thereto. We have found through many years of experience that business-type activities often require a different sort of control than other Federal activities.

I would say here in addition that I doubt that, in any private business corporation, a board of directors would be satisfied if their control were limited to determining what the gross expenditures of the corporation would be in the next year.

That would not provide a satisfactory basis of control over a business enterprise. The cost to the Government in the case of an activity such as the airport depends on the efficiency of management and the adequacy of the rates charged because these will determine ultimately what is going to be paid out of the Treasury, not the annual amount which is going to be appropriated for the gross expenditures of the enterprise in the next year.

Mr. FRIEDEL. Mr. Seidman, are you stating that the FAA has mismanaged the airports?

Mr. SEIDMAN. I am not making that statement, Mr. Friedel. I am talking about the limitations inherent in the present methods of operation.

Mr. FRIEDEL. Don't they have those same limitations now?

Mr. SEIDMAN. They certainly do not because they come to Congress for funds which are provided annually by Congress. There is no necessary relationship between their gross expenditures to meet their costs and the provision of funds for the operation of a Corporation.

Mr. FRIEDEL. Where do they get the money then?

Mr. SEIDMAN. They go to Congress for an annual appropriation. Their revenues are paid into the miscellaneous receipts of the Treasury.

Mr. FRIEDEL. What does that have to do with the management of the airports?

Mr. SEIDMAN. It has a great deal to do with the management of the airports. There is a great deal of difference in the attitude of the management when they have to live out of their revenues as opposed to going to Congress to get their appropriation while having the revenues go back into miscellaneous receipts.

The pressure is on them when they have to live out of the money they are going to earn.

Mr. FRIEDEL. And they shouldn't have to worry about coming to Congress?

Mr. SEIDMAN. They would come, as in the case of a private corporation, when they have to obtain new capital or borrow; you have to provide working capital. But, ultimately the test and cost to the

Treasury will depend on the efficiency of management and the adequacy of the rates charged for the services.

We believe that an appropriate level of control is imposed on Government Corporations through the Government Corporation Control Act. Among other things, that act requires each wholly owned Corporation—and this would include the Airport Corporation—to prepare annually a budget program and submit it to the President.

The Corporation's budget program is then submitted to the Congress for consideration, and legislation must be enacted making any necessary appropriations or making available for expenditure for operating and administrative expenses, corporate funds, or other financial resources, or limiting the use thereof as the Congress may determine.

Each Corporation is also subject to an audit by the General Accounting Office in accordance with principles and procedures applicable to commercial corporate transactions.

Thus, in keeping with the Comptroller General's standards, we find that there is congressional control over corporate activities exercised through annual reviews and affirmative action on planned programs and financing requirements. The General Accounting Office confirmed this in its testimony this morning. In fact, I submit that the corporate processes for development and review of budget programs actually provide the Congress with a far superior picture of, and control over, corporate activities than occurs when business-type operations are subject to traditional appropriations processes.

There is no evidence to support the view that the Congress is opposed, as a matter of general principle, to the establishment of Government Corporations.

In addition to its action in approving the Corporation Control Act, the Congress has in recent years created new Corporations such as the Panama Canal Company, Development Loan Fund and St. Lawrence Seaway Development Corporation.

I might point out here, and in relation to a question previously asked, that the management of the Airport Corporation is vested in the General Manager of the Corporation. The relationship of this Corporation to the FAA Administrator would very nearly be analogous to that of the St. Lawrence Seaway Development Corporation to the Secretary of Commerce, who on behalf of the President exercises direction and supervision over that Corporation. In that case the Secretary of Commerce does have authority over other aspects of our maritime activities, and so there is no difference there in relationship between the airports and the FAA and the St. Lawrence Seaway and the Secretary of Commerce. The relationship also would be the same as that of the Panama Canal Company to the Secretary of the Army who is the supervisory official, or the relationship of Commodity Credit Corporation to the Secretary of Agriculture.

The Congress has also taken action to recharter old Corporations and to extend and revise their authorities. A number of those actions have been initiated by the Congress.

I am not aware of any general congressional dissatisfaction with the corporate form of organization and with the nature of congressional control over existing Corporations.

Just to cite an example of congressional reaction, I would quote the report (H. Rept. 1304, 81st Cong., 1st sess.) of the House Commit-

tee on Merchant Marine and Fisheries on the Panama Canal tolls which concluded that:

> The appropriate toll policy can hardly be decided upon and administered without business-type accounts, similar to those of public utilities, upon which to rely for the basic financial and operating data. The status of the canal as a business enterprise can be further clarified by making toll receipts available to it as operating revenues, returning interest to the Government at the going rate as provided for Government Corporations. These purposes can be achieved in Government only through the corporate and accompanying business-type budget and commercial-type audit. It appears to the committee that in these days of organization, it is a most appropriate time to consider the extension of the corporate form of organization to the operation of all functions of the Panama Canal except those having to do primarily with national defense.

Following on the report of the House committee, the legislation was enacted by the Congress creating the Panama Canal Company. The parallel with the airport incorporation before this subcommittee is evident.

Turning to the airport corporation, I would refer to the 1954 report of the Senate Committee on Interstate and Foreign Commerce (Rept. No. 1653, 83d Cong., 2d sess.) recommending incorporation. The committee stated:

> The Washington National Airport is essentially a business operation. Incorporation will obviate certain difficulties which (have been) experienced in attempting to operate this business under restrictions which apply generally to nonbusiness Government agencies.

The committee continued:

> One such difficulty has resulted from the budgetary and fiscal practices which it must follow as a conventional Government agency. The airport's budget estimates must be prepared 2 years or more in advance. The Department of Commerce finds, however, that it is impossible to predict accurately what the expenses of operating the airport will be. The airport's activities are subject to normal business fluctuations * * *.

The committee added:

> The airport must return all its income to the Treasury as general receipts, while its expenditures are limited strictly by the amounts appropriated. The result is that the airport management has little incentive to seek increased revenues. Under some circumstances ventures which might produce additional revenues for the Government may have to be abandoned to conserve appropriations. * * * Present methods of budgeting, accounting, and financing hamper operations without providing a satisfactory basis for control either by the executive branch or the Congress. The budget submitted by the airport does not furnish the basic data essential for the evaluation and control of a business enterprise. At the present time, no sound basis exists either for analyzing rates and charges for airport services or the financial results of its operations.

The Comptroller General acknowledged the need for improving airport management in his 1956–58 audit report on the Washington National Airport. In his recommendations transmitted to Congress on February 4, 1959, the Comptroller General noted:

> There has been growing support in the Congress and the executive branch for operating the airport as a self-sustaining business enterprise.

He added:

> We believe it is desirable that FAA formulate an appropriate long-range policy which would recognize this principle and serve the Airport management as a guide in negotiating fees and charges.

Apparently, however, the GAO believes that incorporation goes too far and is not essential to conduct the operations of a self-sustaining business enterprise.

In 1959, we wrote the Comptroller General stating that we believed his general position against incorporation would appear to have the practical result not of limiting the use of Government corporations to programs meeting prescribed standards but of barring completely employment of the corporate form of organization.

In our letter, we stated that we doubted that a "clear showing" could ever be made that any Government activity, including all existing Government corporations, could not be operated under statutes and regulations which usually govern the operations of Government agencies.

It seemed to us then, as it does now, that the test should be whether a program could be operated more efficiently and effectively under the corporate form of organization.

We also indicated that we were not aware of any congressional policy which would prohibit or discourage the future creation of Government corporations for appropriate purposes. We asked for the Comptroller General's views as to the conditions and circumstances which could justify use of the corporate form of organization.

In his response, the Comptroller stated that no fixed predetermined criteria are required and judgments should be based on the net advantage to the Government, giving full consideration to any lessening of congressional control as well as the possibility of greater efficiency and economy in operation.

I gather from some of the testimony this morning that the test seems to be essentially whether there is already a corporation or whether they already have an existing revolving fund. If they do not already have the flexibility required then the GAO believes they should not be given such authority.

We believe that in this instance—in the case of the National Capital Airports Corporation—there would be a substantial net advantage to the Government, the taxpayer and the user. The airport operations are of the same type as those of a number of other activities, such as the St. Lawrence Seaway Development Corporation, Panama Canal Company, and Tennessee Valley Authority, which the Congress has seen fit to incorporate.

I would like to comment briefly on a few of the Comptroller General's specific points. First, he states that incorporation is not required to meet the needs for improved budgeting, accounting, and reporting.

Admittedly, provision can now be made for a business-type budget and comprehensive audit under the Budget and Accounting Procedures Act, but this has nothing to do with the salient characteristics such as separate legal status, the right to sue and be sued, etc., which give a corporation its special character.

It is true that the FAA can attach business-type financial statements to the airport budget which is now submitted to the Congress, but those statements are not the document on which the Congress acts. The business-type budget is the vehicle on which the Congress acts in the case of a corporation and this is significantly different.

We believe that the GAO has narrowly focused on the controls exercised by the Congress and the President over corporations and paid little or no attention to the other important attributes of the corporate device.

Secondly, the Comptroller General indicates that the airport program can receive additional financial flexibility to meet rapid develop-

ments and changing conditions through authorization of a permanent emergency fund to be replenished by annual appropriations.

Certainly, a large enough fund of this type would be of assistance, but I submit that it does not equate with the flexibility provided through incorporation.

I would also like to point out generally that it would be far more desirable to set up a corporation with its appropriate controls and responsibilities than it would be to provide a host of minor piecemeal improvements for the current noncorporate activity.

Action to set up a permanent emergency fund or to provide for a business-type budget or a revolving fund would be but a token recognition of total needs of the program.

Thirdly, the Comptroller General points out that incorporation is not essential for effective dealings with private businesses. We agree. However, I think there is a significant difference in customer relationships in the case of a corporation where there is an awareness of the need for a self-sustaining operation and a clear and direct relationship between services provided and corporate charges.

Fourthly, the Comptroller General believes the Congress basic intention in enacting the Corporation Control Act was to restrict and control previously incorporated activities, rather than to create new corporations.

In that connection, he points out the reduction in the number of corporations since 1945, the scarcity of new ones and the requirements in section 304 of the act for abolition of all existing corporations that were not rechartered by June 30, 1948.

The reduction in numbers resulted primarily from mergers of corporate activities and from the termination of wartime or emergency programs. The requirement for rechartering was to carry out one of the purposes of the act, that is, to replace a variety of State-chartered Federal corporations with federally chartered corporations.

As far as the basic attitude of Congress toward new corporations is concerned, I believe the record which I covered before speaks for itself.

The Bureau of the Budget believes that proposals to establish new Government corporations should be subject to scrupulous analysis and review in terms of recognized criteria for the use of corporations set forth in the President's 1948 budget message.

Those criteria provide for use of the corporate form only when a program: (1) Is predominantly of a business nature; (2) is revenue producing and potentially self-sustaining; (3) involves a large number of business-type transactions with the public; and (4) requires greater flexibility than the customary type of appropriation budget ordinarily permits.

Our analysis indicates that the airport operations covered by H.R. 826 are consistent with those criteria. We are convinced that adoption of the corporation concept would benefiit the users of the airports and the taxpayer by placing the operations of the airports on a sound business basis without in any way weakening essential congressional controls.

Mr. WILLIAMS. Mr. Seidman, I would like to express my own personal opinion, based on my experience in rather extensive hearings on this subject in this and the last Congress.

I would say that your statement is the most compelling and convincing argument that I have heard in this whole series of hearings

in favor of the establishment of a Government corporation in this instance and I hasten to congratulate you on the clarity and the force of the argument that you have presented to the committee.

As I understand it from your statement, the question of Government control as between the present setup and the proposed corporation is moot.

Mr. SEIDMAN. Correct.

Mr. WILLIAMS. That it is your contention that the corporation bill as it is presently drafted would provide for equally as much, if not perhaps more, congressional control over the operation of these airports as the present system. Is that correct?

Mr. SEIDMAN. That is correct. I would say that it would provide more effective control because the Congress would be controlling those things which really count in terms of ultimate cost to the Government.

Mr. WILLIAMS. Have you given study to the particular provisions of this specific bill?

Mr. SEIDMAN. I have, Mr. Chairman, to a degree. I have not included my comments in the prepared statement, but I was present this morning when the General Accounting Office testified and I do have some comments on some of their proposed amendments.

Mr. WILLIAMS. I think we would like to hear those if you can make them as brief as possible.

Mr. SEIDMAN. They will be very brief. I would suspect that we will hear the same thing from the FAA when they appear, so I will limit mine then only to things which relate to my general knowledge in the field of government corporations and general laws applicable rather than the specifics which the FAA would cover.

For example, the GAO proposed amendment to section 6(10), page 8, line 3, would omit the word "specifically." The word "specifically" in that provision is included in a model charter for government corporations which was developed in consultation with the Department of Justice and the General Accounting Office quite some years ago.

The word was included quite deliberately, because we asked at that time for a list of the general laws which are applicable to a government corporation. No one could give an answer. There was great ambiguity. We did know that there were a series of specific statutes which were applicable and so it was believed essential that the word "specifically" be included so that the corporations would have proper guidance as to what laws would be applicable to their operations rather than leaving it wholly ambiguous.

When we asked the Comptroller General at that time, many years ago, what laws did apply or would apply in the absence of this language, we had several volumes of the regulatory and prohibitory statutes submitted to us and it was very difficult to determine which would or which would not apply, so I think it is of very urgent importance that the language "specifically" not be excluded.

The next comment related to section 10(b) on the question of figuring the computation of interest.

I might say I do know something about the Panama Canal Company, since I did draft that act, and the circumstances are not identical. We were then taking on a going operation with a particular known investment at the moment, but in other cases we have had experience with the difficulty of a fluctuating interest rate.

The present situation may be equated to that of a private corporation which issues a series of revenue bonds in a given year. They know that the interest rate is fixed in that year and will continue as long as those obligations are outstanding rather than having the total amount fluctuate with the average cost of interest to the Government.

Some serious difficulties in establishing rates would be created if you had a fluctuating interest rate. The general formula in the bill is one which has been suggested by the Treasury Department and I can assure this committee that it would not create any burden for those who would have to compute the interest rate nor does it seem to us unduely complicated.

On 10(c), again, I think I don't have to go into this, it gets into the basic philosophy really of how much control you exercise. It is an attempt really, again, to equate this with the annual appropriation process. I think this is a fairly standard provision in a Government Corporation charter.

Mr. WILLIAMS. How about the general recommendation they made at the end of their letter? Have you seen it?

Mr. SEIDMAN. I agree with their general recommenation. I think this provision should be made and generally is. I understand that this was deleted from the bill because of some concern that this was including an appropriation in general legislation, but this is a standard provision which you almost always include in a corporation bill and in any reorganization bill.

In fact, there is a general statutory provision which authorizes the transfer of funds and unexpended balances in connection with reorganizations and I would agree with the General Accounting Office that that provision ought to be included in the bill.

I think other points raised by the GAO can be covered by the FAA in their testimony.

Mr. WILLIAMS. There may be some questions. Mr. Friedel?

Mr. FRIEDEL. Mr. Seidman, granted that all of your arguments are sufficiently persuasive, we all must consider the Corporation formed for operation of these airports.

Why should this Corporation be under the Federal Aviation Agency? You say nothing about it anywhere in your statement.

Mr. SEIDMAN. I think I can answer this, because this relates to the general philosophy and policy which we have with respect to the organization of the Government, which is reaffirmed by the Congress in the Reorganization Act.

The Hoover Commission also expressed the policy that we attempt to organize and group activities by major purpose. Obviously, if we had a lot of separate, small independent activities in the Government, the President's job would be impossible. The President has to look to some subordinate to assist him in supervising the executive branch. As I pointed out before, this is exactly analgous to what we do in the case of the St. Lawrence Seaway Development Corporation. The relationship of the Airport Corporation to the FAA Administrator will be analagous to that of the St. Lawrence Seaway Corporation to the Secretary of Commerce, who has somewhat the same kind of broad authority that the FAA Administrator has. The management of the Seaway Corporation is vested in the Administrator, not the Secretary, and in this Corporation the management would be vested in the General Manager, not the FAA Administrator.

We have the same parallel situation, Mr. Friedel, in the Commodity Credit Corporation and Federal Crop Insurance Corporation, which are under the supervision of the Secretary of Agriculture who also has some very important regulatory functions in the field of agriculture, not only with respect to the large payments and other things which affect the agricultural economy, but some direct regulatory functions.

Again, in the case of the Panama Canal Company, the Secretary of the Army on the civil functions side, on navigable waterways, also has regulatory functions.

Mr. FRIEDEL. Why wouldn't the Government take charge of Idlewild, and La Guardia, and Newark Airports?

Mr. SEIDMAN. Idlewild, La Guardia, Newark, and Teterboro are all under the Port of New York Authority, which is a corporation.

Mr. FRIEDEL. And they are doing a very good job?

Mr. SEIDMAN. Yes, and that is a government corporation.

Mr. FRIEDEL. The FAA only has jurisdiction as far as safety is concerned?

Mr. SEIDMAN. These are local airports, and there is another question of policy as to whether these ought to be airports operated by local jurisdictions. Congress has determined otherwise.

In Alaska, for example, we had airports at Anchorage and Fairbanks which had been constructed by the Federal Government and which, at the time of statehood, were turned over to the State of Alaska by the Federal Government. This is a determination which has been made by the Congress which I don't think would be appropriate for me to question it here.

Mr. FRIEDEL. In other words, you don't feel that Washington National Airport or the Dulles Airport could be run as a corporation in a businesslike way unless the FAA has their finger in the pie?

Mr. SEIDMAN. No, I would not say that.

Mr. FRIEDEL. That is the point I asked about. Could it be run efficiently under the Corporation without the FAA having jurisdiction?

Mr. SEIDMAN. The airports undoubtedly could be efficiently run by a corporation setup, say, like the Port of New York Authority, but within the executive branch of the Government, this creates another problem.

If it is to be operated by a Federal Corporation, you have to look at it from the viewpoint of the President of the United States and his job and how he supervises the activities.

If you create it as a separate entity, obviously, the President could not devote the kind of personal attention to it at the supervisory level that would be required.

In the normal practice then he looks to one of his subordinate officials in the Cabinet or elsewhere in the executive branch. This is the reason for having the FAA Administrator as the supervisor.

Mr. FRIEDEL. I am trying to get just simple answers and I will ask you this question. Do you feel that a corporation separately and distinctly away from the FAA could run it in an efficient manner?

Mr. SEIDMAN. I will give you a simple and direct answer.

Mr. FRIEDEL. Yes. You said nothing about it in your statement. You left that out and I was under the impression that you are saying that it can only run under the FAA.

Mr. SEIDMAN. No.

Mr. FRIEDEL. I say that I am in favor of a corporation, but I think the FAA should be out of it.

Mr. SEIDMAN. I would say, and I should add that I have answered your question affirmatively and frankly, that we would find the elimination of FAA objectionable for other reasons. We are looking at it in terms of the organization of the executive branch and from the point of view of the President, which I think has to be considered, in what he does in carrying out his responsibilities for the conduct of the executive branch of the Government. We have, and this is general policy, opposed the establishment of a large number of small independent agencies. This is an across-the-board policy.

Mr. FRIEDEL. Do you compare the Panama Canal with Dulles? Are you comparing those?

Mr. SEIDMAN. In what respect? As a business-type activity?

Mr. FRIEDEL. The Government is in certain things, in the Panama Canal and St. Lawrence Seaway.

Mr. SEIDMAN. These are corporations, correct.

Mr. FRIEDEL. Are you trying to compare those with the Dulles Airport?

Mr. SEIDMAN. That is correct, in terms of organization, the nature of business activity, and relationship to people in the executive branch of the Government below the President.

Mr. FRIEDEL. Would you compare it with the Export-Import Bank?

Mr. SEIDMAN. The Export-Import Bank, no. The Export-Import Bank is a corporation, but of a very entirely different character. That is essentially not an operating corporation. It is a financial institution. It is a bank. I wouldn't compare the Pennsylvania Railroad and the American Security & Trust. They are different types of institutions, even though they both are of a corporate character.

Mr. FRIEDEL. That is all, Mr. Chairman.

Mr. WILLIAMS. Mr. Hemphill?

Mr. HEMPHILL. Yes, sir. First, I want to congratulate you on your statement. I think it is very clarifying and certainly a credit to your department of the executive branch of the Government. If this were a separate corporation out from under the FAA, in effect we would practically lose all congressional control, wouldn't we?

Mr. SEDMAN. You would not lose congressional control. You would certainly lose executive branch control because I doubt that the President would be giving much personal attention to it.

Mr. HEMPHILL. I noticed in your statement that it is the opinion of your department that from a business standpoint if the legislation is passed this Corporation will run the airports in a more businesslike manner. That is the gist of your statement?

Mr. SEIDMAN. That is our intention and purpose.

Mr. HEMPHILL. I am glad to have you make that statement and I couldn't help but think when you were talking a minute ago that we always have to be careful that we don't put ourselves in the position of the Dixon-Yates climate of some years ago. I don't care to pass on that because I am pretty partial, but certainly I don't want to put the Federal Aviation Agency in that predicament at this time.

I am just afraid that if it were taken out from under the control of that Agency and, therefore, the executive branch of the Government, it would have that possibility. Do you have that feeling?

Mr. SEIDMAN. That is right. I think you need someone. The President wants someone who, one, has knowledge and, two, has other areas of responsibility which relate to the particular activity and who can, on his behalf, be concerned with general policy, not the day-to-day management. The FAA isn't going to get in on that. Certainly the President wants to see someone on his behalf taking a look at the Corporation to see that its general policies conform with his policies and that it is efficiently operated.

Mr. HEMPHILL. I certainly thank you, sir.

Thank you, Mr. Chairman.

Mr. SEIDMAN. Thank you.

Mr. WILLIAMS. Thank you very much.

Mr. SEIDMAN. Thank you, Mr. Chairman.

Mr. WILLIAMS. I have made a canvass among members of the subcommittee and it appears that our attendance this afternoon, should we set hearings, would be very, very sparse, and I discussed with Mr. Schulte and his associates of the Federal Aviation Agency the question of whether they should appear this afternoon or perhaps set another date.

We find ourselves in agreement that their testimony would be rather important and of a great deal of interest to the members of the subcommittee, and so if it is agreeable with other members of the subcommittee, we will adjourn now and the Chair will announce the next date for these hearings, as soon as we can work it out satisfactorily.

(Whereupon, at 12:05 p.m., the subcommittee recessed, to reconvene subject to the call of the Chair.)

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