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WAR RISK INSURANCE EXTENSION

GOVERNMENT

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HEARING BEFORE THE SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

SECOND SESSION

ON

H.R. 17133, H.R. 17539, and H.R. 17574

BILLS TO EXTEND THE PROVISIONS OF TITLE XIII OF THE
FEDERAL AVIATION ACT OF 1958, AS AMENDED, RELATING
TO WAR RISK INSURANCE

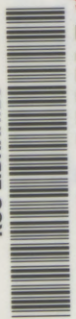
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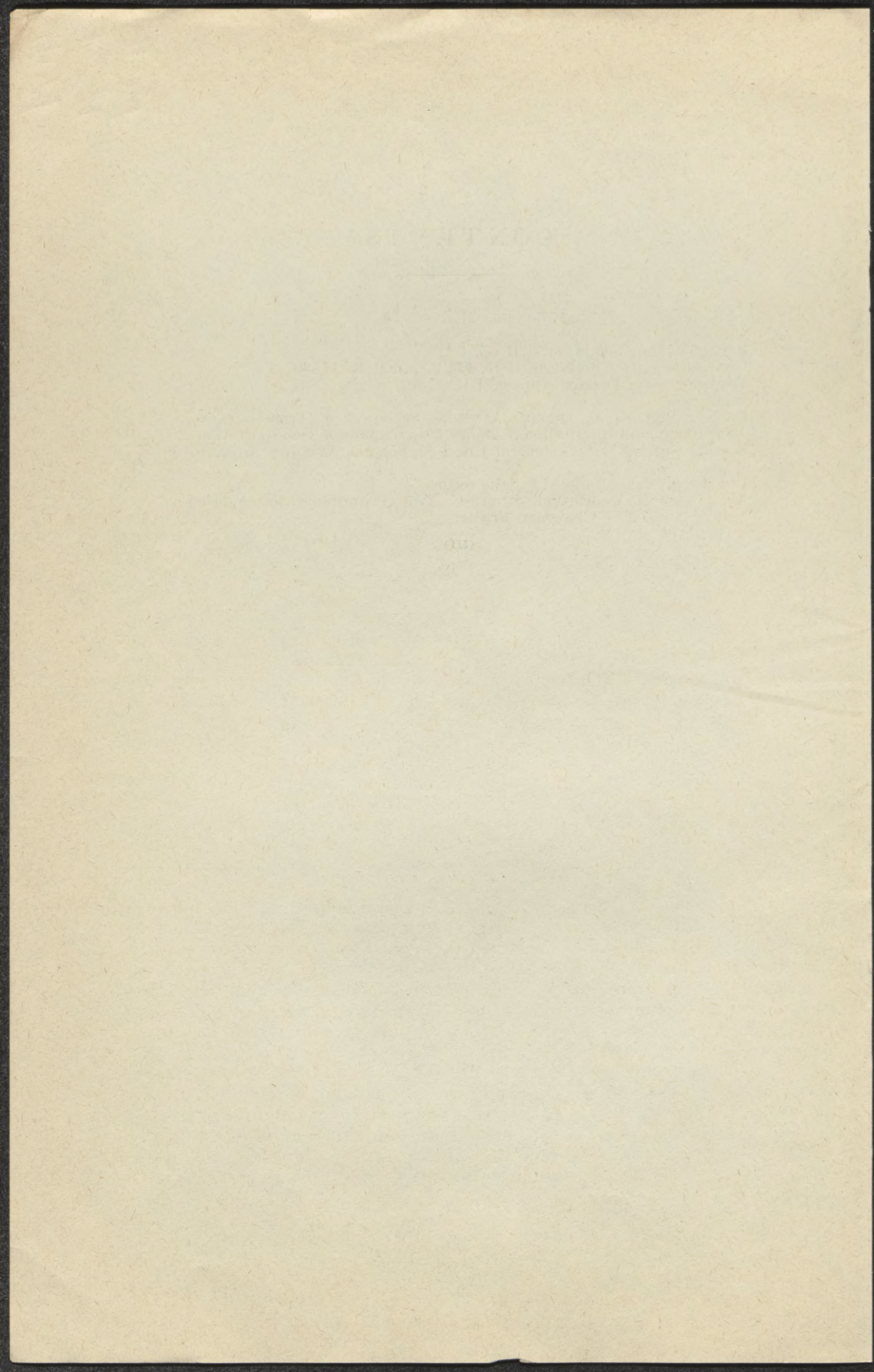
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WAR RISK INSURANCE EXTENSION

MONDAY, JUNE 1, 1970

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

The subcommittee met at 10 a.m., pursuant to notice, in room 2123, Rayburn House Office Building, Hon. Samuel N. Friedel (chairman) presiding.

Mr. FRIEDEL. The subcommittee will now come to order.

Today we will receive testimony from the Department of Transportation on H.R. 17133, H.R. 17539, and 17574, that will extend for 5 years the important program of Aviation War Risk Insurance under title XIII of the Federal Aviation Act of 1958.

This program was first sanctioned by the Congress in 1951, at a time when it was becoming obvious that U.S. involvement around the world would expose American air carriers to increasing risk of loss through war, hostilities or other forms of deliberate violence. The Committee on Interstate and Foreign Commerce examined the issue at that time and concluded that reliance could not be placed on insurance to cover such potential losses.

If U.S. air carriers were to be protected, it was felt that some special form of Government insurance should be made available on a standby basis. Without such protection the American carriers would not be able to offer service under diverse conditions in many parts of the world, thus detracting from U.S. international interests and harming our economic trade. It was these considerations that lead to the enactment of the war risk guarantee program and that explains its subsequent extensions.

The problems facing international aviation are now at least as urgent as those that existed in 1951. Indeed the problems are considerably more complex. For one thing there has been a tremendous growth in international aviation. According to the International Civil Aviation Organization, international air traffic aboard scheduled flights has increased more than 10 times since 1951. Last year nearly 60 million people traveled by air internationally. That compares with only 7 million in 1951.

Accompanying this growth in international air transportation has been a pronounced change in the composition of the civil aircraft fleet. When the war risk guarantee insurance program was first instituted there were no jet aircraft in commercial aviation service.

Now, however, U.S. commercial air carriers, domestic and international, operate more than 1,700 jet aircraft. These aircraft have

greater capacity, have far more sophisticated equipment, and are vastly more expensive. From the standpoint of prospective loss through war, hostilities or other violence, they present an even greater risk of loss than was true when the program was established.

(The text of H.R. 17133, H.R. 17539, and H.R. 17574, and departmental reports thereon follow:)

[H.R. 17133, H.R. 17539, and H.R. 17574, 91st Cong., 2d Sess., introduced by Mr. Friedel on April 21, 1970; Mr. Staggers on May 7, 1970; and Mr. Springer on May 11, 1970, respectively, are similar as follows:]

BILLS To extend the provisions of title XIII of the Federal Aviation Act of 1958, as amended, relating to war risk insurance

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1312 of title XIII of the Federal Aviation Act of 1958, as amended (49 U.S.C. 1542), is amended by striking out the words "September 7, 1970", and by inserting the words "September 7, 1975" in place thereof.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., April 29, 1970.

HON. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for the views of the Bureau of the Budget on H.R. 17133, "To extend the provisions of title XIII of the Federal Aviation Act of 1958, as amended, relating to war risk insurance."

For the reasons expressed by the Department of Transportation in its letter of April 15, 1970, to the Speaker of the House of Representatives, the Bureau of the Budget supports the enactment of H.R. 17133.

Sincerely,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

CIVIL AERONAUTICS BOARD,
Washington, D.C., June 2, 1970.

HON. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your recent request for the Board's views on H.R. 17133 and H.R. 17539, bills extending the provisions of title XIII of the Federal Aviation Act of 1958, relating to war risk insurance.

Both bills would extend the war risk insurance provisions for a five-year period from September 7, 1970. The Secretary of Transportation stated in transmitting a draft bill to the Congress on April 15, 1970, that the reasons justifying prior extensions of the War Risk Insurance Program were equally compelling at the present time. He also pointed out that it was important that non-premium war risk insurance continue to be provided to air carriers having contracts with the Department of Defense and the Department of State in order to ensure that commercial airlift supporting United States Armed Forces in Vietnam will be maintained without interruption. In light of this, the Board favors enactment of these bills.

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

Sincerely yours,

SECOR D. BROWNE, *Chairman.*

DEPARTMENT OF TRANSPORTATION,
OFFICE OF THE SECRETARY,
Washington, D.C., May 1, 1970.

Hon. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for the views of this Department with respect to H.R. 17133, a bill "To extend the provisions of title XIII of the Federal Aviation Act of 1958, as amended, relating to war risk insurance."

This bill is a Department of Transportation proposal which was transmitted to the Congress on April 15, 1970. As you know, the bill would extend the authority to provide aviation war risk insurance and reinsurance until September 8, 1975. This authority otherwise would expire on September 7, 1970.

We recommend enactment of the legislation, and will welcome the opportunity to appear before the Committee to present oral testimony in support of it.

Sincerely,

JAMES A. WASHINGTON, Jr.,
General Counsel.

DEPARTMENT OF TRANSPORTATION,
OFFICE OF THE SECRETARY,
Washington, D.C., April 15, 1970.

Hon. JOHN W. McCORMACK,
Speaker of the House of Representatives, Washington, D.C.

DEAR MR. SPEAKER: Enclosed for appropriate referral and introduction is a draft bill, "To extend the provisions of title XIII of the Federal Aviation Act of 1958, relating to war risk insurance."

The draft bill would amend section 1312 of the Federal Aviation Act of 1958, as amended (49 U.S.C. 1542) (hereinafter called the Act), to extend the authority to provide aviation war risk insurance and reinsurance under title XIII of that Act until September 8, 1975. This authority otherwise would expire on September 7, 1970.

Title XIII of the Act, as amended, authorizes the Secretary of Transportation, with the approval of the President, to provide premium and non-premium war risk insurance for the protection of aircraft and of persons and property transported aboard them, and against other liabilities of a kind that insurance would customarily cover, when commercial insurance cannot be obtained on reasonable terms and conditions from U.S. insurers.

Under title XIII a department or agency of the United States may, with the approval of the President, procure from the Secretary war risk insurance if it enters into an agreement with the Secretary to indemnify him against all losses covered by the insurance provided under the Act. This insurance is provided without premiums and is presently provided to air carriers that have contracts with the Department of Defense and the Department of State. We believe non-premium war risk insurance is a vital element in the program to provide airlift requirements for the war in Vietnam.

The premium war risk insurance program is intended to provide coverage for American carriers in addition to what is available to them commercially. The war risk binders, therefore, agree to provide war risk insurance only at the close of the 24-hour period provided in the commercial policy. The coverage of war risks is necessary because the ordinary aviation insurance policy covers only the usual perils of fire, damage, and other risks, and excepts certain named "war risks" from coverage. Commercial policies usually include a clause, or clauses excluding from coverage any claim for loss or damage occasioned by war, hostilities, insurrection, or acts of foreign enemies, among other explicit situations. An air carrier should not be expected to assume the risk of the loss of its aircraft from such excluded perils. The concentrated, high value of the aircraft and equipment could be a total loss in a single incident.

The Congress has extended the War Risk Insurance Program on three previous occasions: (1) for 5 years to June 13, 1961, under P.L. 84-746; (2) for another 5 years to June 13, 1966, under P.L. 87-89; and (3) for another 4 years to September 7, 1970, under P.L. 89-447. The reasons for these past extensions are

equally compelling now. To ensure, therefore, that there is no break in the continual coverage under the War Risk Insurance Program and to ensure that commercial airlift supporting United States Armed Forces in Vietnam is maintained without interruption, we urge that the Congress *promptly* enact this legislation.

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

Sincerely,

JOHN A. VOLPE, *Secretary.*

Mr. FRIEDEL. The committee welcomes Mr. Richard J. Barber, Deputy Assistant Secretary for Transportation for Policy and International Affairs. You may proceed, sir.

STATEMENT OF RICHARD J. BARBER, DEPUTY ASSISTANT SECRETARY OF TRANSPORTATION FOR POLICY AND INTERNATIONAL AFFAIRS, DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY NEIL EISNER, OFFICE OF GENERAL COUNSEL, FEDERAL AVIATION ADMINISTRATION

Mr. BARBER. Thank you, Mr. Chairman.

I have with me this morning Mr. Neil Eisner of our Federal Aviation Administration Office of the General Counsel, who has been involved in certain administrative aspects of this program.

I have a fairly short statement and I would propose to read it and then turn to the questions that you and the subcommittee members may have.

I appreciate this opportunity to appear before you today to discuss H.R. 17133 and H.R. 17539. These bills would carry out the Department's recommendation to extend the aviation war risk insurance program for an additional 5 years until September 8, 1975.

Title XIII of the Federal Aviation Act authorizes the Secretary of Transportation, with the approval of the President, to provide premium and nonpremium war risk insurance for the protection of aircraft and of persons and property transported board them when commercial insurance cannot be obtained on reasonable terms and conditions from U.S. insurers. In addition, protection is authorized against other liabilities of a kind that insurance would customarily cover.

Nonpremium insurance is presently provided to air carriers having contracts with the Department of Defense and the Department of State. This insurance may be procured by Departments or agencies of the United States which enter into agreements with the Secretary of Transportation to indemnify him against all losses covered by the insurance provided by the act. An example of this type arrangement is that which this Department has with the Department of Defense. During periods when a national emergency is not in effect, air carriers which are members of the Civil Reserve Air Fleet (CRAF) make their equipment available to the Department of Defense through contractual arrangements. Under these arrangements, carriers are often required to enter areas where hostilities are prevalent in order to provide vital airlift requirements for the war in Vietnam and other military operations. The Department of Transportation, accordingly,

provides war risk insurance to these CRAF air carriers without premiums with the understanding that it will be reimbursed by the Department of Defense for any losses incurred. Aircraft engaged in military airlift operations are also covered. In all at present some 500 aircraft are covered under the nonpremium aspect of the program.

The other war risk insurance authorized in title XIII is the premium type. Under the ordinary aviation insurance policy, only the usual perils of fire, damage and other risks are covered, and certain named "war risks" are excepted from coverage. A fairly typical commercial policy usually includes a clause or clauses excluding from coverage any claim for loss or damage "directly or indirectly occasioned by, happening through or in consequence of war, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution or insurrection." In addition, "loss from intentional damage" is also included. Such a clause reflects the fact that exposures of this type do not allow the risk to be spread sufficiently to permit economical coverage through the regular insurance market. Since an air carrier normally wishes to be covered against such excluded risks, it purchases special war risk insurance. This coverage is at present provided only through the London market. While this coverage has generally been obtainable by U.S. air carriers operating internationally, its continued availability, on any terms, let alone on reasonable terms, cannot be assured or assumed due to the unsettled character of the world in which American airlines must offer service.

The scale of the aviation war risk insurance market is sufficiently limited so that a single incident of loss can quickly lead to the cancellation of existing war risk policies or a marked escalation of premiums.

The premium war risk insurance program is intended to bridge this actual or potential gap in coverage and, by doing so, enable air transport carriers to venture into potential danger areas where they would otherwise be reluctant to go. In view of current international conditions, this reluctance is understandable, particularly when one considers the magnitude of the loss which could be incurred with the destruction of a single 747 aircraft. By providing coverage for the excluded perils, we can in effect assure the prompt mobilization of the country's air transport facilities by keeping various routes operational which might otherwise be discontinued because of the uninsured risks involved. It is important, therefore, that the war risk insurance program be kept in force and, indeed, immediately available for prompt implementation.

The war risk insurance program has been extended by the Congress on three previous occasions. We believe the program has served a vital role and that general world conditions warrant an additional 5-year extension. We urge, therefore, that the Congress act promptly to allow this program to continue uninterrupted.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions you may have.

Mr. FRIEDEL. I would like to add that this legislation is also recommended by the Department of Transportation with the support of the Bureau of the Budget. I understand that it is also recommended by the Air Transport Association.

Thus far I have heard no opposition to its introduction. I want to

thank you for your very fine, precise statement which was right to the point.

Mr. Kuykendall, do you have any questions?

Mr. KUYKENDALL. There have been in the news several instances in the last couple of years of an entirely different type of what you might call war risk, and that concerns the organized violence involving aircraft in Beirut, Zürich and other places. Is the war risk insurance applicable in these cases?

Mr. BARBER. It certainly could be. Indeed, the situations to which you refer, I am certain, would be those which have transpired at Zürich and particularly the one at Beirut where a commando organization did sabotage and engage in violence to damage American and other international aircraft.

Mr. KUYKENDALL. Were claims filed under the war claims insurance on these planes, or do you know?

Mr. BARBER. No, they were not because at the present time the carriers involved in those situations, even the U.S. carriers, did not then and do not have war risk coverage to cover such contingencies.

Mr. KUYKENDALL. I do not intend to put you on the spot unless you know here and I am not trying to bait you with this question in case you do know.

In the exclusion that is in practically all policies, is it your opinion that the Beirut incidents would be under the exclusion?

Mr. BARBER. That is a point which continues to be in dispute between the carriers with the coverage and with their underwriters on the foreign market. Certainly it could arguably come within that exclusion. As a result, the carriers involved would have to sustain the entire liability on their own.

As you well know, it is not always what the courts subsequently determine or approve. It is what the parties involved, having to make important business and operational decisions, contemplate is the risk that determines whether they can undergo it and whether, in fact, they will curtail their operations in order to avoid running that risk.

Mr. KUYKENDALL. Do you know whether or not any of the carriers involved in the Middle East turmoil have had insurance with one of the London carriers? Do you know whether or not they have?

Mr. BARBER. Yes; all of them as far as I know have carried and do carry war risk insurance on the London market.

Mr. KUYKENDALL. Are you familiar with what are the terms of cancellation of the war risk insurance? Are they ready with their sharp pencil to increase or cancel the premiums upon the happening of such events?

Mr. BARBER. Very much so. Under those provisions at the outbreak of international hostilities, the policies expire at midnight on the day hostilities break out or at such time as the aircraft land. So they can cancel that very quickly by automatic implementation of the provisions themselves. However, all of these policies as far as I know have a 7-day clause, so if, for example, there was an act of sabotage at any airport in the world, the London carriers could invoke the 7-day clause and state 7 days later the policies are canceled.

Alternatively they could say that and provide that the policies would be rewritten after 7 days at a substantially higher premium.

Thus the carriers are to a very great extent at a point where they cannot set the terms and those terms can be rapidly and very suddenly altered by the underwriters in London.

Mr. KUYKENDALL. Do you know whether or not the London underwriters consider, for instance, the airport at Beirut or Damascus or Tel Aviv or Cairo an actual active war zone?

Mr. BARBER. I do not know whether they would use that particular term to characterize the situation.

Mr. KUYKENDALL. I am not talking about any definition, but in their conduct do you think they are considering these?

Mr. BARBER. They are and, indeed, the underwriters in London have very substantially increased the premiums for air carriers having war risk insurance throughout the world as a result of the incidents at Beirut in particular. This requires just one word of development, if I may. The fact is the various guerrilla and other quasi-political organizations that are at work in various areas of the world can inflict very substantial losses on any carrier, including an American carrier at any point in the world. The number of aircraft operating into and out of Kennedy, into and out of London and of other major air terminals in the United States and Europe makes those rather risky areas for operation and great damage, of course, could be done through an act of violence.

Really no area of the world, whether it be in the Middle East or outside of the Middle East, is free of a potential act of violence that could inflict very substantial loss on an air carrier, so it becomes essential that the carriers have viable full insurance coverage on reasonable terms.

Mr. KUYKENDALL. I have just one more question, Mr. Chairman.

This question is in a slightly different field, and that is the matter of hijacking. I think we all realize we are living on borrowed time, not having had a major tragedy. If they keep on, we are going to have one. That is why it is so terribly important we learn how to handle this.

But as it affects the case at hand, would there be a determination, let's say, in the case of a nonforeign national revolutionary type having hijacked an aircraft as opposed to just a demented person having hijacked an aircraft? Could that get involved in war risk insurance?

Mr. BARBER. Yes, I think it could.

Mr. KUYKENDALL. That is why I prefaced with my statement that we have not had a loss except hotels and gasoline bills to Castro.

Mr. BARBER. It certainly is a contingency that could occur. If such a loss were to take place and if the hijacking was, in fact, the work of a revolutionary group or individual or a person of political orientation attempting to favor one side or another or to bring about embarrassment to one side or another as part of a political dispute, then it would certainly be conceivable that that kind of behavior would amount to an act of a war risk character that could be covered by war risk insurance.

In other words, as I see it, if a hijacker were to take a plane and commandeer it for political purposes and attempt to have it diverted to some other area and if as a result of his activity, that aircraft were damaged or destroyed, then I should think that that act could be inter-

puted to come within the usual meaning of the war risk coverage policy and, hence, be covered either through the commercial market or if, pursuant to title XVIII, we had a policy outstanding, but I think it would be reasonable to think that kind of act of hijacking could be labeled and covered by a war risk policy. Obviously these things depend particularly on the facts of the particular case.

Mr. KUYKENDALL. Thank you, Mr. Chairman.

Mr. FRIEDEL. Mr. Barber, I have just a few questions.

Are there any facts of which you are aware that would suggest the need for the war risk insurance program as it pertains to the U.S. carriers operating regular international commercial service, such as to Europe and to the Middle East?

Mr. BARBER. Yes, Mr. Chairman, there are certain facts that suggest that such carriers may require, under certain conditions, coverage pursuant to this program.

Let me elaborate briefly on that. Until the 747 went into operation earlier this year, American carriers operating internationally were able to obtain war risk coverage on the London market and they could get it at rates which, I believe, generally were regarded as reasonable and under terms such that the full risk was covered.

Now, that is changing. Information that has just recently come to our attention suggests or demonstrates that the London market is not now willing to provide coverage for the full value of the 747 and, further, is imposing certain restrictions on total liability for persons involved in traveling aboard such aircraft.

The result is that now the American carriers operating 747's are not fully insured against war risk for those aircraft and cannot at any price get the insurance. This is a very recent development. It is not a question of the price of the premium. It is a question that the insurance is simply not available to cover the full amount of the prospective loss involved in the operation of a 747.

Mr. FRIEDEL. Will this legislation cure that?

Mr. BARBER. This legislation could be invoked to deal with that kind of situation since it provides specifically that the Secretary can afford insurance where he determines that with respect to an American carrier, insurance to cover war risks cannot be obtained on reasonable terms and conditions. The fact is that for a substantial portion of the value of a 747 and for certain associated liabilities that go with that, such war risk insurance simply cannot be obtained at all now, at any price.

Mr. FRIEDEL. You mentioned the London market. Am I correct as to Europe or the Middle East? Would that refer to the Middle East, too?

Mr. BARBER. Yes, it would, Mr. Chairman.

Mr. FRIEDEL. Has this legislation been used to facilitate payment of any claims?

Mr. BARBER. According to our information, since the program's inception in 1951, there have been two claims filed and processed under this coverage. One of those, as far as I recall, was in the amount of \$625 where a bullet had been fired into a plane and the claim was paid accordingly.

The second is a much larger claim involving an incident in Vietnam,

which is now in litigation, in which the United States is being sued as the issuer of a policy by a carrier that sustained a loss and it comes down essentially to a lawyers' argument over the exact coverage. That case is now in litigation. Those are the only two I am aware of.

Mr. FRIEDEL. Up to the present time has there been any cost to the Federal Government arising from the war risk insurance coverage?

Mr. BARBER. There have been two categories of cost. One is the \$625 I mentioned and associated administrative costs which have been partially recovered from certain administrative fees that are charged. So there are small costs that are of an administrative and overhead character associated with the program.

But aside from that, I am not aware of any other costs.

Mr. FRIEDEL. Do you have any suggestions to make about whether this law should be indefinite or should it have expiration dates? The bill before us calls for 5 years.

Mr. BARBER. It has now been in effect for 19 years. We are asking for 5 more years and I would think at some point it would make far more sense to seek indefinite extension of it. Our annual reports as to how the program was being used would provide the executive branch and the Congress, and this committee, with an adequate understanding of how the program works, so that it could be terminated at any point that seemed appropriate.

I should think there would be marginally some advantage in making it indefinite, but I should think this would be a matter that the committee itself will have to consider.

Mr. FRIEDEL. In other words, this legislation has proved very fair and good protection to the carriers.

Mr. BARBER. It is a sound piece of legislation. It provides protection to American carriers and it provides protection that would not otherwise be available. I think we are going to find in the near future, along the lines of the questions you have just proposed and those proposed by Mr. Kuykendall, this is now going to have to be extended to cover risks presently unassociated with the largest aircraft we are now operating internationally, the 747.

Mr. FRIEDEL. Thank you.

Mr. KUYKENDALL. Am I to assume from the extremely low figures that you gave that we have lost no CRAF aircraft at Tan Son Nhut or Da Nang or other places in Vietnam where these commercial planes used for military purposes are flying in and out?

Mr. BARBER. That would be a fair interpretation of what I have. According to the information I have, only one CRAF aircraft was lost.

Mr. KUYKENDALL. Out of the thousands of aircraft that have gone out of Da Nang and Tan Son Nhut?

Mr. BARBER. That is correct, and it is that loss that is the subject of the litigation to which I referred.

Mr. FRIEDEL. Thank you very much. You have made a very fine statement. You have eased our minds.

Is there anyone else here who wants to be heard? If not, thank you very much and the subcommittee now stands adjourned.

(The following letter was received for the record:)

AIR TRANSPORT ASSOCIATION,
Washington, D.C., June 2, 1970.

HON. SAMUEL N. FRIEDEL,
*Chairman, Subcommittee on Transportation and Aeronautics, Committee on Interstate
and Foreign Commerce, U.S. House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: On behalf of the U.S. scheduled air carrier industry, the Air Transport Association wishes to express its support for the legislation pending before your Committee (H.R. 17539 and H.R. 17133) to extend the provisions of title XIII of the Federal Aviation Act of 1958 with respect to war risk insurance.

Under the current provision of the Act, Section 1312, the authority of the Secretary to provide such insurance expires September 7, 1970. H.R. 17539 and H.R. 17133 simply extend this authority to September 8, 1975. We support this five-year extension, and further recommend that the Committee make the legislation permanent so that additional extensions will be unnecessary. In the event the Committee is not disposed to eliminate the expiration date at this time, we urge that this question be actively considered well in advance of the 1975 expiration date.

As indicated in the Administration's transmittal letter to Congress, war risk insurance is essential if foreign air commerce by United States carriers is to be conducted without disruption. This is particularly true today, with much of the world in a state of unrest. Under the present law, the Department of Transportation provides non-premium war risk insurance to protect air carriers under contract with the Department of Defense or the Department of State beyond the coverage offered by commercial insurers, since ordinary aviation insurance policies cover only the usual perils of fire, damage, and other risks, excluding war. There are also potentially dangerous airline operations not covered by such contracts. Commercial war risk insurance, when obtainable is not always available at reasonable rates. Moreover, it is normally subject to cancellation on 48 hours' notice. Thus, such insurance is virtually useless since it involves high premiums and may be cancelled at the time it is most needed. The law provides premium war risk insurance for commercial carriers to cover special risk operations which are not under government contracts as described above.

We strongly urge the Committee's early and favorable action on this important legislation to permit continuation of the war risk insurance program. We would appreciate the inclusion of this letter as part of the hearing record.

Cordially,

S. G. TIPTON, *President.*

(Whereupon, at 10:45 a.m. the subcommittee adjourned.)

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