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LOCAL AIR SERVICE TO SMALL COMMUNITIES

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON AVIATION

OF THE

COMMITTEE ON COMMERCE

UNITED STATES SENATE

NINETY-SECOND CONGRESS

SECOND SESSION

ON

S. 796

TO AMEND FEDERAL AVIATION ACT OF 1958, AS AMENDED,
TO AUTHORIZE THE ESTABLISHMENT OF A CLASS OF LIM-
ITED AIR CARRIERS, AND FOR OTHER PURPOSES

APRIL 10, 11, AND 12, 1972

Serial No. 92-102

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LOCAL AIR SERVICE TO SMALL COMMUNITIES

MONDAY, APRIL 10, 1972

U.S. SENATE,
COMMITTEE ON COMMERCE,
SUBCOMMITTEE ON AVIATION,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 5110, New Senate Office Building, Hon Howard W. Cannon (chairman of the subcommittee) presiding.

Present: Senators Cannon, Moss, Cotton, and Stevens.

OPENING STATEMENT BY SENATOR CANNON

Senator CANNON. The hearing will come to order.

Today's hearing is a continuation of an investigation begun by the Senate Aviation Subcommittee in 1970 to assess the adequacy of air transportation to the nation's small towns and communities. As a result of the 1970 hearing, the committee concluded that the adequacy of airline service to small town America was directly dependent on the amount of subsidy paid to the certificated air carriers by the CAB under the terms of the Federal Aviation Act of 1958.

In addition, the committee concluded that the level of subsidy was grossly inadequate to meet the costs of the carriers who provide the service. The result was a general decline in the number of cities served and a deterioration of service to those cities who still received it.

At the same time, the committee took cognizance of the role being played in providing local air service by dozens of small commuter air carriers providing air transportation to the public under exemption authority of the CAB.

The committee was impressed with the level and quality of service provided by the noncertificated carriers and also hopeful that they would continue to grow and expand service to other communities, particularly communities not served by local service carriers.

As a result of the 1970 hearings Chairman Magnuson and I, along with Senators Pearson and Cotton convinced the Board and Congress to provide increased subsidy payments to the local service airlines reflecting more realistically their increasing costs.

Thus, in fiscal 1971, Congress nearly doubled the amount of subsidy available to the carriers over the previous year's amount. Unfortunately, however, even this expanded subsidy program does not seem to have proven adequate in meeting the needs of small towns and communities for adequate service.

Indeed, since that time, as the Civil Aeronautics Board will testify this morning, many more small towns and communities have seen a loss or further reduction in their air service.

Staff member assigned to these hearings: Robert E. Ginther.

Today's hearing is both oversight and legislative in nature; the committee wishes to update its 1970 analysis of the current level of service and also wishes to hear several legislative proposals which are currently before us.

Among the bills being considered is S. 796, introduced by Senator Pearson last year, which would provide for a new class of limited air carriers generally encompassing the commuter airlines operating today. Senator Pearson's legislation would provide limited CAB economic regulation of these airlines and would amend the law so as to make the commuter carriers eligible for subsidy.

In addition to S. 796, the committee will hear testimony on a bill to be proposed by the CAB which would authorize an experimental 3-year program to provide local service to small communities on a contract-bid system to be administered by the Board.

Under the terms of this proposal, the CAB would select several communities across the United States to participate in the experiment and would invite bids from operators who might wish to compete for the opportunity to provide service, with a Federal subsidy, to these communities.

This proposed legislation will be explained more fully by the first witness, Chairman Secor Browne of the CAB.

In announcing these hearings in January, the committee made clear that it also wished to inquire into the current subsidy program being administered by the Board and to study whether it is meeting the needs of the local service carriers who are responsible for providing service to most of the Nation's small towns.

The committee is disappointed and troubled by the fact that the Board has not yet come to any conclusion of the current subsidy class rate case now pending. Class rate VI, as it will be known, will be the subsidy formula for the period which began last July 1. Yet, even on April 10, it has not been resolved. I cannot understand nor condone such an unfortunate delay.

In January, the committee was advised informally by several certificated carriers and by the Board's staff that there was a serious disagreement between the carriers and the Board over the subsidy needs of the airlines for the period beginning last July. Indeed, this difference amounts to more than \$30 million a year.

The committee's plan was to explore carefully this disparity in these hearings in an attempt to ascertain whether the carriers' needs were being adequately met. Unfortunately, because of the Board's delay, this will not be possible.

The Association of Local Transport Airlines was to have testified on this matter tomorrow but advised the committee late last week that it would be unable to do so because of the Board's failure to arrive at the new formula.

In addition, Frontier Airlines has asked the committee for an opportunity to express its views on subsidy; now, however, that carrier will not testify for the same reason. Therefore, regretfully, the committee's inquiry into adequacy of subsidy will not be possible at this time.

Finally, the committee will take testimony on S. 2741, introduced by myself and Senator Stevens last year to amend the act of 1957, authorizing aircraft loan guarantees for the local service airlines. The 1957 act expires this year and the committee will hear testimony on

the extension proposal which has been recommended to us by the Association of Local Transport Airlines.

Testimony on the subject will be heard on Wednesday with the FAA testifying on behalf of the government and Mr. Charles Willis, Jr., president, Alaska Airlines, testifying for the Association of Local Transport Airlines.

This morning we will hear from the Chairman of the CAB, from the Department of Transportation, and from a half dozen commuter air carriers operating in various regions of the United States.

Tomorrow the committee will continue to hear testimony from commuter operators as well as from state and government bodies interested in local air service. At that time we will also hear testimony from the Association of Local Transport Airlines on the two bills directly relating to local air service.

Our first witness this morning is the Honorable Secor D. Browne, Chairman of the Civil Aeronautics Board.

(The bill and agency comments follow:)

92^D CONGRESS
1ST SESSION

S. 796

IN THE SENATE OF THE UNITED STATES

FEBRUARY 17, 1971

Mr. PEARSON introduced the following bill; which was read twice and referred to the Committee on Commerce

A BILL

To amend Federal Aviation Act of 1958, as amended, to authorize the establishment of a class of limited air carriers and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Limited Air Carrier Act
4 of 1971".

5 SEC. 2. The Federal Aviation Act of 1958 as amended,
6 is further amended as follows:

7 (a) Section 101 (49 U.S.C. 1301) is amended by re-
8 designating paragraphs (34) and (35) as (36) and (37)
9 and by inserting the following new paragraphs:

10 “(34) ‘Limited air carrier’ means an air carrier

1 holding a certificate authorizing it to engage in limited air
2 transportation.

3 “(35) ‘Limited air transportation’ means air transporta-
4 tion by aircraft rendered pursuant to a certificate of authority
5 issued pursuant to section 401 (d) (4) of this Act to provide
6 scheduled service with aircraft of limited capacity.”

7 (b) Section 401 (49 U.S.C. 1371) is amended by add-
8 ing the following new paragraph to subsection (d) thereof:

9 “(4) In the case of an application for a certificate to
10 engage in limited air carrier transportation the Board may
11 issue a certificate to any applicant not holding a certificate
12 under paragraph (1), (2) or (3) of this subsection, au-
13 thorizing the whole or any part thereof, and for such periods
14 as may be required in the public interest, if it finds that the
15 applicant is fit, willing, and able properly to perform the
16 transportation covered by the application and to conform to
17 the provisions of this Act and the rules, regulations, and re-
18 quirements of the Board hereunder.

19 “In the event (i) an applicant is conducting operations
20 as a limited air carrier on the effective date of the Limited
21 Air Carrier Act of 1971 and (ii) such application has been
22 filed with the Board within 30 days after such effective date,
23 then such applicant may conduct such limited air carrier
24 operations until such time as the Board shall have ruled upon
25 the application.

1 “The Board shall not be required to find that public con-
2 venience and necessity require the issuance of a limited air
3 carrier certificate, but shall adopt such rules and regulations
4 and requirements as it may deem in the public interest to
5 implement and enforce the policies set forth in section 102 of
6 this Act.

7 “Any certificate issued pursuant to this paragraph shall
8 contain such limitations as the Board shall find necessary to
9 assure that the service rendered pursuant thereto will be in
10 accordance with the purpose of limited air transportation.”

11 (c) Section 401 (49 U.S.C. 1371) is amended by add-
12 ing before the period at the end of paragraph (4) of subsec-
13 tion (e) the following: “, or in a certificate for limited air
14 transportation, when required by subsection (d) (4) of this
15 section, the Board shall limit the capacity of the aircraft to
16 be used.”

17 (d) Section 401 (49 U.S.C. 1371) is amended by add-
18 ing the following new subsection:

19 “(o) (1) No certificate to engage in limited air trans-
20 portation shall be issued or remain in effect unless the appli-
21 cant for such certificate or the limited air carrier, as the case
22 may be, complies with regulations or orders issued by the
23 Board governing the filing and approval of policies of insur-
24 ance, in the amount of such insurance, amounts for which
25 such applicant or such limited air carrier may become liable

1 for bodily injuries to or the death of any person, or for loss
2 or damage to property of others, resulting from the negligent
3 operation or maintenance of aircraft under such certificate.

4 “(2) If any service authorized by a certificate to engage
5 in limited air transportation is not performed to the minimum
6 extent prescribed by the Board, it may by order, entered
7 after notice and hearing direct that such certificate shall
8 thereupon cease to be effective to the extent of such service.

9 “(3) The requirement that each applicant for a cer-
10 tificate to engage in limited air transportation must be found
11 to be fit, willing and able properly to conform to the pro-
12 visions of this Act and the rules, regulations and require-
13 ments of the Board under this Act, shall be a continuing
14 requirement applicable to each limited air carrier with re-
15 spect to the transportation authorized by, and currently fur-
16 nished or proposed to be furnished under, such carrier's
17 certificate. The Board shall by order, entered after notice
18 and hearing, modify, suspend, or revoke such certificate, in
19 whole or in part, for failure or such carrier (A) to comply
20 with the continuing requirement that such carrier be so
21 fit, willing and able, or (B) to file such reports as the
22 Board may deem necessary to determine whether such
23 carrier is so fit, willing and able.

24 “(4) The Board shall prescribe such regulations and

1 issue such orders as may be necessary to carry out the pro-
 2 vision of this subsection."

3 (e) Section 403 (49 U.S.C. 1373) is amended by
 4 inserting in the first sentence of subsection (a) after the
 5 words "Every air carrier," the following: ", except a
 6 limited air carrier"; and, by inserting in the second sentence
 7 after the word "prescribe" the following: ", except that a
 8 limited air carrier need not file, post, or publish tariffs
 9 unless directed by the Board to do so".

10 SEC. 3. This Act shall become effective ninety days
 11 after date of enactment.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., March 31, 1971.

B-170758.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce
U. S. Senate.

DEAR MR. CHAIRMAN: Your letter of March 5, 1971, requests our comments on S. 796, 92d Congress, entitled: "A BILL To amend Federal Aviation Act of 1958, as amended, to authorize the establishment of a class of limited air carriers and for other purposes."

We have no special information as to the advantages or disadvantages of this measure and, therefore, make no comments regarding its merits.

In the title of the bill the word "the" should be inserted before the word "Federal."

Sincerely yours,

R. F. KELLER,
Assistant Comptroller General of the United States.

LAW DEPARTMENT,
 U.S. POSTAL SERVICE,
Washington, D.C., April 7, 1972.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on S. 796, "To amend Federal Aviation Act of 1958, as amended, to authorize the establishment of a class of limited air carriers and for other purposes."

This legislation, through amendments to the Federal Aviation Act of 1958, as amended, would create a new class of air carriers, to be known as limited air carriers, and would grant authority to the Civil Aeronautics Board, to issue limited air carrier certificates. Air taxi operators, who would become limited air carriers under the bill, presently operate as non-certificated air taxis.

Although the purpose of the bill is the establishment of a financially sound, third-level certificated service, we do not believe the bill will achieve this goal. We believe that the implications of further regulating the air industry, with the

inefficiencies and rigidities that this might entail, should be very carefully analyzed.

In particular, the Postal Service opposes enactment of this measure, since it would, for practical purposes, nullify the competitive contracting authority recently conferred on the Postal Service by Congress in the Postal Reorganization Act, Public Law 91-375, approved August 12, 1970. Section 5402(c) of revised title 39, United States Code, provides as follows:

"(c) If the Postal Service determines that service by certificated air carriers or combination of air carriers between any pair or pairs of points is not adequate for its purposes, it may contract for a period of not more than 4 years, without advertising for bids, in such manner and under such terms and conditions as it may deem appropriate, with any air taxi operator or combination thereof for such air transportation service. Contracts made under this subsection may be renewed at the existing rate by mutual agreement between the holder and the Postal Service. The Postal Service, with the consent of the air taxi operator, may adjust the compensation under such contracts for increased or decreased costs occasioned by changed conditions occurring during the contract term. The Postal Service shall cancel such a contract when the Civil Aeronautics Board authorizes an additional certificated carrier or carriers to provide service between any pair or pairs of points covered by the contract, and such carrier or carriers inaugurate schedules adequate for its purposes."

The authority granted by section 5402(c) to contract with air taxi operators when service by certificated air carriers is inadequate would be taken away by the bill, since it is likely that the great majority of present air taxi operators would take advantage of the provisions of the bill and become certificated limited air carriers, enjoying route protection and being authorized to carry persons, property and mail. There would, therefore, be few, if any, air taxi operators remaining to provide mail service to the Postal Service under our contracting authority.

Most of the mail tendered to air carriers by the Postal Service is delivered to them for carriage between the hours of 8:00 PM and 6:00 AM. Between February 1970 and July 1971 more than 900 flights per day by scheduled certificated air carriers affecting domestic points in the United States during the above hours of greatest need for the Postal Service were eliminated. Under existing contracting authority in section 5402(c) of title 39 the Postal Service is authorized to contract with air taxi operators to cover such a loss in scheduled certificated service. This bill would, for practical purposes, end this authority. Therefore, the certification proposed by the bill would thwart the purpose of the Postal Reorganization Act as it applies to the mail contracting authority of the Postal Service under section 5402(c) of title 39.

For the above reasons, the Postal Service opposes enactment of this measure.

Sincerely,

ROGER P. CRAIG,
Deputy General Counsel.

Senator CANNON. At this time I want to submit for the record the statement from Senator Pearson, who is unable to be with us this morning.

(The statement follows:)

STATEMENT OF HON. JAMES B. PEARSON, U.S. SENATOR FROM ARKANSAS

Mr. Chairman, I wish to commend you for calling these hearings. The Congress has a profound responsibility to insure adequate transportation services in small communities. The development of rural America depends upon a viable system of transportation connecting small, somewhat isolated communities, with major commercial and population centers.

Because countless numbers of small communities have lost rail passenger service, the adequacy of local air service has taken on a new dimension. There is no question that this committee, in its consideration of the pending legislation, must recognize the importance of air service. Scheduled air service is literally the lifeline to which small communities throughout rural America must cling for survival.

There are two developments in air service to small communities which must be carefully reviewed: the deterioration of scheduled service by certificated local service carriers while subsidy requirements have escalated, and the growth of the commuter air carriers without subsidy.

As certificated carrier service has declined in quantity and quality, the commuters have established, under Part 298 exemption, a network of scheduled service encompassing more than 200 small communities. More than 1,500 air taxis operate under Part 298 exemption today, and more than 4 million air passengers are now served annually by the commuters and air taxis.

I have introduced the Limited Air Carrier Act, which would provide route protection and eligibility for subsidy to commuter carriers. This legislation is drafted to recognize the public service performed by commuters today, and is based upon the theory that commuters properly can be expected to expand their role with reasonable route protection and minimal subsidy requirement.

I would hope that the committee will review carefully the merits of a certification program for the commuters. The committee also should review the CAB proposal to establish, on an experimental basis, authority for small community air service on a contract-bid basis.

Mr. Chairman, I look forward to these hearings. I am confident the committee will develop legislation to insure the continued expansion of commuter air service to small communities. There is no doubt that such service is essential, if our goals of rural development are to be achieved.

Thank you.

Senator CANNON. Senator Cotton has a statement to make.

OPENING STATEMENT BY SENATOR COTTON

Senator COTTON. I would like to make a very brief statement.

First I wish to compliment you, Mr. Chairman, on your perseverance in pressing forward on this most serious problem of air service to the smaller communities in our Nation.

Representing as I do the State of New Hampshire, I am acutely aware of the need for air carrier service. It has not been responsive to the needs of those communities or the related regional economy.

A little over 6 months ago, in September of last year, you were kind enough to participate in hearings held in my State, at my request, on the subject of the adequacy of northern New England air service. Those who, like myself, have been following closely developments affecting air service to that region, are well aware that its unique problem still remains unresolved.

Although affected in some measure by the subject matter of today's hearing, the northern New England situation is more directly impacted by the following three proceedings:

1. The *Delta-Northwest Merger* case—docket No. 23315—on which a final decision has not been reached to my knowledge;

2. The pending New England service investigation, on which I expect we will not see any results for several months yet to come; and

3. The *Allegheny-Mohawk Merger* case—docket No. 23371— which, although I have not yet had an opportunity to examine the final decision, I understand was approved on Friday last, April 7.

Mr. Chairman, inasmuch as I believe that my keen interest and concern over the inadequacy of air service to the northern New England area has been amply documented and should by now be well known to all parties of interest, I shall not take up any further time of the subcommittee, except to state that I fully intend to follow, as in the past, any developments which may result from the hearings which are being resumed today.

As a matter of fact, I would suspect that our principal witness today, the Honorable Secor Browne, Chairman of the Civil Aeronautics Board, and his colleagues on that Board have, no doubt,

had some occasion to wish, if not openly, that my advocacy on this issue of northern New England air service would be less vigorous than it has been. I fear I have been something of a nuisance to them, but it is something I have to do.

Parenthetically, I might add that I do not seek to obtain any admission against-self interest from Mr. Browne today with respect to this last statement, nor anything with respect to any pending cases. [Laughter.] And, even if there were such an unspoken wish, I believe that my statements in the Senate Chamber over the past few weeks, inserting materials on recent development in the *Delta-Northeast Merger* case constitute ample notice to all parties of interest that rather than any lessening of the tempo of my advocacy activities in this regard, there will be a substantial increase.

In conclusion, Mr. Chairman, with these prefatory remarks I wish to extend a warm welcome to our key witness today, the Honorable Secor Browne, Chairman of the Civil Aeronautics Board.

I would like to add, in view of recent developments, to my statement that somewhat to my amazement, a representative of a chain of newspapers telephoned both my office and the minority counsel of this committee to inquire if there was something sub rosa going on between the Senator from New Hampshire and the Civil Aeronautics Board.

I can't imagine anything less sub rosa than what has been going on. Every communication I have made has been in the open, sent to the Board with copies to all parties that are interested.

I am sure the Chairman of the CAB will agree with me that at no time have I attempted to discuss any pending cases or take any steps except by writing and with sufficient notice to all parties of interest.

Thank you.

Senator CANNON. Thank you, Senator Cotton.

I may say if the Board is not aware of the distinguished Senator from New Hampshire's concern about service to the northern part of the United States, they don't hear as well as the other members of this committee did.

Senator Stevens?

Senator STEVENS. I am grateful to you for calling these hearings also, and appreciate your support and concern for the problems of the small carriers.

Senator CANNON. We are very happy to have Senator Burdick here with us this morning. He comes from an area also very much concerned about local service to small communities. Happy to have you here.

Mr. Chairman, proceed.

STATEMENT OF HON. SECOR D. BROWNE, CHAIRMAN, CIVIL AERONAUTICS BOARD; ACCOMPANIED BY ROBERT D. TIMM, MEMBER; R. TENNEY JOHNSON, GENERAL COUNSEL; ROBERT J. SHERER, DIRECTOR, BUREAU OF ECONOMICS; AND ALPHONSE M. ANDREWS, DIRECTOR, BUREAU OF OPERATING RIGHTS

Mr. BROWNE. May I say to Senator Cotton, I do not know what all of his job is, but I do know he looks after his constituents. He certainly does that with respect to air service in New England.

Secondly, very seriously on the part of my colleagues, I want to say we are grateful for his help and his cooperation, because he is helping us do our duty.

Finally, he is quite right. All communications between the Senator and the Board have been as much in the public light of day as any of them could be and I cannot imagine what anyone would have in mind in imposing such questions.

Senator COTTON. I thank you, and I am very grateful to you for that statement.

Mr. BROWN. I have a statement which I would like your permission to read.

Senator CANNON. All right.

Mr. BROWN. Mr. Chairman, members of the subcommittee, I appreciate the privilege of appearing before you today to discuss the serious problem of air service to our Nation's smaller communities.

My testimony is built around the Board's proposal to conduct a limited experiment under which small community air service would be provided on a contract basis. I will also give you the Board's views on the bill introduced by Senator Pearson relating to a class of limited air carriers, and will discuss recent developments in the local air service picture and in the Board's subsidy program.

Before your committee, in May 1970, I said that the Board was making a top-to-bottom study of every aspect of small community service and the Board's subsidy program. I promised that the Board would consider all possible alternatives to the current system, and that I would report back to you. Our staff's studies are now finished. We have considered the alternatives. Our specific recommendation has been sent to the Office of Management and Budget, and is crystallized in the bill before you—S. 3460.

We are dissatisfied with the trend of providing poorer service to small communities at greater cost to the Federal Government and the fare-paying passenger. To the Civil Aeronautics Board, London, Paris, Lebanon, Melbourne, and Athens aren't just faraway places served by huge jets. They also must mean London, Ky.; Paris, Tex.; Lebanon, N.H.; Melbourne, Fla.; and Athens, Ga. We are very conscious of our statutory duty to encourage and develop " * * * an air transportation system properly adapted to the present and future needs of the foreign and domestic commerce of the United States * * * ." We think there may be a better method than what we are doing now. Based on our studies and analyses, the approach that shows the most promise for providing better service to small communities at a reasonable subsidy cost is the contract bid system.

Before getting into the details of the proposal, I would like to touch briefly on the background and basis for our recommendation.

The local service carriers were given certificates in the 1940's and 1950's to provide feeder service linking the small communities of a region to central hub points. Over the years they have generally responded very well to the needs of the system. But, air transportation is dynamic, and changes have taken place which require a whole new look at the system. We are all familiar with those changes.

First, the local service carriers have been transferred into small regional trunklines. Most of their passenger-miles are flown on subsidy-ineligible routes between the larger cities of a region. Their smallest aircraft are at least double the size of the 21-seat DC-3's they began with. And they have fleets of jets seating up to 120 persons each. Finally, for a variety of reasons, the local service carriers have focused their energies on the needs of their higher density markets. The result

has been that the carriers' service to their smaller points has become less responsive to the needs of those communities, even while the carriers' subsidy demands have increased substantially.

It is not my purpose to assess blame for this development. Everyone concerned, including the Board, has had a hand in leading us to our present position. Be that as it may, however, the carriers originally chosen to provide local service to small communities no longer have the best equipment for the job, and are turning their interests elsewhere; and this inevitably shows up in diminished service to small communities, and in increasingly high costs.

The second major change since the certification of the local service carriers has been the vast growth of the air taxi and the commuter air carrier industry. A major factor here has been the development of efficient, lightweight turboprop aircraft that can seat up to 19 passengers. Under Board regulations, aircraft weighing less than 12,500 pounds can be operated in common carrier air service without a certificate of public convenience and necessity. The combination of that regulation plus the new lightweight aircraft has virtually created a whole new class of carriers. They are unsubsidized. They are free to provide service to practically any community they want. They are not protected in any way from competition by other carriers. They can often provide short-haul service to small communities a lot more cheaply than can certificated carriers.

In a large number of short-haul markets, air taxis and commuters compete successfully with the certificated carriers, including subsidized local service carriers. In addition, commuter carriers now operate a scheduled service to over 200 points small enough for certificated carriers either to have given them up or never to have asked to serve them in the first place.

The third change is the expansion and improvement of the Nation's highway system during the 1960's. In this country, as nowhere else on earth, the private automobile has become the principal means of short-haul transportation.

The fourth, and very significant change, has been the shift of population in rural America, in the plains and mountain States. These areas need good air transportation. In many cases, it is virtually a matter of economic and social survival. What significant industry would locate in an area without good air service? How can we prevent the continuing exodus to the overcrowded cities unless there is a sound economic base, supported by air transportation, to encourage people not to move to the cities? As a matter of national policy, we think these considerations should weigh heavily.

In light of these factors, the Board believes that the way for small communities to get the service that best meets their needs, and for the Federal Government to get the most for its money, may lie with the contract approach. I say "may," because we need the empirical data to support our analysis. Only an experiment can test the theory. The Board cannot experiment under the existing statutory arrangement, and that is why we have proposed the legislation I mentioned earlier. That legislation would provide for an experimental program that would be limited both in scope and duration, because the Board is very much aware that theories do not always work out in practice. We want to test the contract approach in actual practice before making

any decision on what permanent changes, if any, should be made to the Federal Aviation Act.

Given the increasing costs being incurred by the local service carriers in their small community service, I think it is apparent that the existing subsidy framework is going to require increased Federal support if present levels of small community services are to be maintained, and still higher support if that service is to be improved. And given the efficiencies of the air taxi and commuter carriers when it comes to serving small communities, and the small community orientation of these carriers, I think it is also apparent that in some cases, at least, they would be able to provide small communities with better air transportation at less cost to the Federal Government. Finally, it is important to keep in mind that the efficient low cost operations of air taxi and commuter carriers are due not only to improved technology, but also to the free and open competition that for each of those carriers is a fact of life.

In rough outline, here is how the experiment contemplated in S. 3460 would work. After receiving the views of interested communities, State authorities, and so on, in each of the several geographical areas, the Board would select a number of communities to receive the experimental air service by contract. Then, in respect to each of those communities, the Board would specify the kind of air service to be provided. As we see it, that would almost always be done in the form of advertised invitations for bids. Would-be contractors would submit bids stating how much Federal support they would require to provide the service. The lowest bid from among the persons the Board found to be qualified by reasons of sufficient resources and know-how would win the contract. Contracts would run for no more than 3 years, and the existing contractor would have no greater rights than anyone else to bid on a follow-on contract. Finally, renegotiation of the contract price would be expressly precluded except to take account of increased costs attributable to governmental actions.

In terms of funding, the bill would authorize appropriations of \$2 million per year. That level was selected for several reasons; One is that it is large enough to enable the Board to try out the contract method of air service in a number of diverse geographical areas of the country. A second is that until the Board and air carrier industry become familiar with the contract process, it will be difficult to estimate accurately what contract prices will actually be bid.

In any event, the Board believes that the air service by contract program would not increase the total Federal outlay for support of small community air service. In fact, the odds are that the contract program would result in a decrease of Federal expenditures. Our present plans are that service by contract would generally replace existing subsidized service for the duration of the contract program. This is important in order to provide a better basis of comparison between the experimental program and the existing subsidy program. And staff studies indicate that, particularly at the local service carriers' smaller points, replacement of certificated subsidized service by commuter carrier operations under a contract could result in some very substantial savings.

For illustrative purposes the Board's staff analyzed the likely difference in Federal costs between subsidized operations by a local service carrier, on the one hand, and contract operations by a com-

muter carrier, on the other, at six small communities in Colorado, Kansas, New Mexico, and South Dakota. The analysis indicates that at those six points alone, the Government could save over a half-million dollars per year by using the contract method.

However, I want to emphasize, that I am not talking about saving Federal money by imposing substandard air transportation on small communities. On the contrary, we think that the contract approach would lead to air service more in keeping with what small communities need and want. Admittedly, air service by contract would be on a no-frills basis. A twin Otter or Beech 99, for instance, is not as big or as comfortable as a Convair 580 or Fairchild F-227. But they are reliable, suited for smaller airports, and capable of being operated at lower costs than the larger aircraft. More importantly, we think that in most instances carriers providing air service by contract would operate more flight frequencies on schedules better attuned to community travel patterns. This has been our experience with replacement services now in progress. On the short hops that are characteristic of small community service, more flights at better times are likely to outweigh the extra comforts of large aircraft service. That is probably a major reason why, in many markets where certificated carriers have suspended service to be replaced by third level carriers, traffic has increased dramatically.

One final provision of the bill deserves some comment. Under section 3 of the bill, the Board could not award a contract to a carrier until the Board ascertained that the carrier was capable of meeting all of the requirements of the Board and of the Federal Aviation Administration for safety and reliability of operations. In the Board's view, low costs are no bargain if they are purchased at the expense of safety. Marginal operators lacking sufficient financial resources to maintain safe, reliable operations would be excluded from the program. Each contractor would have to meet FAA security requirements applicable to either certificated carriers or commuter carriers. I might note that the FAA has recently upgraded safety standards for commuter carriers, and I understand that further requirements for those carriers are in the works. In this connection, the bill expressly provides that contract prices may be increased to take account of increased costs attributable to governmental actions. Thus a contractor would not have to hesitate about conforming his operations to more rigorous Government-imposed safety standards. In sum, as we see it there is no reason why small community contract operations under the bill could not be as safe as any in the world.

To conclude my comments about the Board's contract proposal, I think it is important to recognize that in reality the proposal has close relatives throughout the existing small community air transportation system. For instance, at a variety of points, air taxi and commuter carriers are today providing air service under contract with certificated carriers or with Government agencies. The Board's proposal, in other words, is an evolutionary one that is based to a significant extent on present day experiences and practices.

Mr. Chairman, the Board has been advised by the Office of Management and Budget that S. 3460 and this testimony concerning that bill is in accord with the program of the President except in the following four respects.

First, OMB advises that the provision of the bill relating to maximum fare levels should be deleted.

Second, the provision in the bill that would require a contract to specify minimum aircraft size should be deleted.

Third, the bill should be altered to provide that the Federal Procurement Regulations issued by the GSA under the Federal Property and Administrative Services Act would be applicable to air service contracts.

Fourth, section 3(d) of the bill now provides that contract prices may be increased to take account of increased costs attributable to governmental actions. That would be changed to read "attributable to actions of the Federal Government."

The Board has no objection to the two changes relating to the Federal Procurement Regulations or to "Government action."

The committee has also asked the Board to comment on S. 796, the bill introduced by Senator Pearson to authorize the establishment under the Federal Aviation Act of a class of limited air carriers. The limited air carrier bill would authorize the Board to issue certificates of authority to provide scheduled air service with aircraft of limited capacity.

Pursuant to the legislation, the Board would be empowered to issue such certificates of authority upon application by carriers found to be fit, willing, and able to perform transportation covered by the applications. Unlike the Board's duties in the case of applications for certificates under existing law, the Board would not be required to find that the public convenience and necessity require the issuance of the certificate.

Nor would the operations of the carriers thereby certificated be limited to fixed routes. The Board would also be empowered under the bill to exempt limited air carriers from much of the rate regulation to which the presently certificated carriers are subject. Finally, the limited air carrier bill would, by authorizing the issuance of certificates to air taxi and commuter carriers, empower the Board to pay subsidy to those carriers for their small community air services.

The approach suggested by the limited air carrier bill was one of the alternatives we considered in our study. While the Board has not closed the door to that approach, we believe that the contract method for funding small community air service holds the greatest promise for improving the present system. If our proposal for a limited experiment is acceptable we would urge you to make no fundamental changes in the existing regulatory framework during the course of the contract experiment.

In this overall connection, however, it is important that the committee be aware of the possible implications of a decision recently handed down by the Court of Appeals for the District of Columbia. In *Air Line Pilots Association versus Civil Aeronautics Board*, the court of appeals ruled that the Board could not, without a hearing, approve arrangements by which a commuter carrier undertook replacement service for a certificated carrier. The full ramifications of the decision are not entirely clear, but the decision could undermine the basic exemption under which air taxi and commuter carriers operate. In the event further analysis indicates that a legislative solution would be desirable to meet the problems raised by the court's decision, the Board may ask this committee for legislative relief.

The two other areas the committee has indicated it wants the Board to touch upon are the present adequacy of local air service, and the Board's subsidy program. I discussed these matters before your committee in 1970, so my efforts here will be to bring them up to date.

As I indicated in my earlier testimony on the Board's contract proposal, small community air service provided by the local service carriers has been gradually cut back. As detailed in a table attached to this testimony as an appendix, carriers have suspended or terminated their service at a number of points. Often, but not always, the cessation of service has been accompanied by replacement service on the part of commuter carriers. Also, in a handful of cases frequencies have been reduced below the usual two round trips a day.

Turning now to the Board's subsidy program, in August, 1970, the Board established the subsidy rate for local service carriers as a class at an annual level of about \$61 million. We expected that that amount would be adequate to fully compensate local service carriers for their subsidized service through June 1971. It turned out, however, that the downturn in traffic felt during the last part of 1970 and the first half of 1971, coupled with rising costs, resulted in an underestimation of the subsidy the carriers required by approximately \$6 million. While the class rate expired in June 1971, the payout under the formula has continued pending the adoption of a new class rate and formula for fiscal 1972.

In order to estimate fiscal 1972 subsidy needs as accurately as possible, and to avoid underestimating, the Board has analyzed the carriers' costs and revenue trends through calendar 1971. Our problem has been that a number of factors make the period a difficult one to evaluate. For example, while it is evident that the costs of the local service carriers' subsidized operations are increasing, the probable future rate of that increase is unclear.

The Board is now shooting for two things. First, to put together a subsidy package for fiscal 1972. Second, to take whatever steps may be necessary to assure that in future years subsidy rates will be determined well in advance of the rate period so that carrier managements can control operations more effectively.

It is clear that the problem of providing air service to the Nation's small communities is getting more serious. Nevertheless, for a while longer we can make do with the present statutory arrangement. Sooner or later, and probably sooner rather than later, the small community air picture may get very bleak indeed. The point of the Board's proposed experimental contract program is to face the problem before it becomes a crisis, and to have the facts and experience upon which to build sound policy.

Thank you for giving me the opportunity to discuss this urgent and complex problem with you.

(The attachments follow.)

LOCAL SERVICE AIR CARRIER SUSPENSIONS, CONSOLIDATIONS AND DELETIONS JUNE 1, 1970 TO MAR. 31, 1972

Community	Carrier	Date approved	Carrier providing replacement service (if any)
I. Suspensions of service:			
Cape May, N.J.	Allegheny	July 12, 1970	Atlantic City Airlines.
Prescott, Ariz.	Air West	Sept. 26, 1970	Apache Airlines. ¹
Kingman, Ariz.	do	do	Do. ¹
Hutchinson, Kans.	Frontier	Oct. 1, 1970	Air Midwest.
Great Bend, Kans.	do	do	Do.
Martinsburg, W. Va.	Allegheny	Nov. 30, 1970	Henson Aviation.
Muncie-Anderson-New Castle, Ind.	do	Mar. 5, 1971	Verco Air Service.
Altoona, Pa.	do	Sept. 15, 1971	Air East.
Trenton, N.J.	do	Jan. 7, 1972	Ransom Airlines.
II. Consolidation with another point:			
Borger, Tex. ²	Frontier	June 10, 1970	
Vicksburg, Miss. ³	Southern	Sept. 14, 1970	
Martinsburg, W. Va. ⁴	Allegheny	Oct. 18, 1971	
Liberty-Monticello, N.Y. ⁵	Mohawk	Oct. 25, 1970	
Battle Creek, Mich. ⁶	North Central	Oct. 31, 1971	
Land O'Lakes, Wisc. ⁷	do	Jan. 18, 1972	
Tacoma, Wash. ⁸	Air West	Pending	
III. Deletions of certificates authority:			
Sedalia, Miss.	Ozark	Aug. 3, 1970	
Long Beach, Calif.	Air West	Aug. 19, 1970	
Marysville/Yuba City, Calif.	do	Dec. 27, 1970	
Portsmouth, Ohio	Allegheny	Aug. 9, 1971	
Blacksburg-Radford-Pulaski, Va.	Piedmont	Feb. 28, 1972	
Marion, Ind.	Allegheny	Pending	
Baker, Ore.	Air West	do	
Ontario, Oreg.	do	do	
Roseburg, Oreg.	do	do	
Southern Pines-Pinehurst-Aberdeen, N.C.	Piedmont	do	
Elizabeth City	do	do	
Duncan, Okla.	Frontier	do	

¹ Air West resumed service Oct. 31, 1971.² Borger is now served through Amarillo.³ Vicksburg is now served through Jackson.⁴ Martinsburg is now served through Hagerstown (by Henson Aviation).⁵ Temporary authority lapsed.⁶ Battle Creek is now served through Kalamazoo.⁷ Land O'Lakes is now served through Rhinelander.⁸ To be served through Seattle.

Mr. BROWNE. Before replying to questions, could I ask our general counsel, Mr. R. Tenney Johnson, and the head of our Bureau of Economics, Robert Sherer and Mr. Alphonse M. Andrews, to come forward?

Senator CANNON. Yes, sir. You may come forward. I am happy to note that you have one of your members with you today, the new member of the board, Mr. Timm from the State of Washington.

Mr. BROWNE. Would you like to join us too, Mr. Timm?

Senator CANNON. Mr. Chairman, you acknowledge that certificated service to small communities has become less responsive to the needs of these communities even while the carrier subsidy demands have increased substantially. Do you think this is primarily caused by the fact that over the years, the board has sought to continuously reduce subsidy payments below that which the carriers said was needed to maintain subsidized service?

Mr. BROWNE. I think I would like to turn that over to Mr. Sherer. Other than saying no, I don't, I would like him to elaborate.

Mr. SHERER. Mr. Chairman, there was a period from about 1968—through 19—through July of 1970 when there was rather gross underpayment of subsidy to the carriers in the service rendered to small communities. This came about through some hope on the part of the board and the carriers that the improvement in their system to the

grant of higher density routes would enable them to have profitable operations to offset the need for subsidy in small community service. That fact that it didn't work out is probably due to, one a rather great inflationary trend in their costs that began in the 1968-69 period, and the second factor was a decided slowdown in traffic growth that began to be apparent in 1969. There was, therefore, a very large loss of the equity of these companies, or said in another way, their retained earnings.

This ran—at the same time, there was a reequipment program going on by the carriers so that their capital position has been very bad and in some respects, it perhaps has contributed to some higher costs of operation.

Senator CANNON. You have sort of anticipated my next question but I am going to ask it anyway for the record. That was to be, Do you believe that since 1968, subsidy has been adequate to continue to encourage the certificated carriers to maintain service at subsidized points. I presume the answer would have to be no because as Mr. Sherer just stated, since 1968 and immediately following there was a very poor period there from the standpoint of adequate subsidy.

Mr. BROWNE. That is correct.

Senator CANNON. Now is the continuing decline and deterioration in service a reflection of an inadequate subsidy policy?

Mr. SHERER. Mr. Chairman, Chairman Browne appeared before your committee in 1970 and I believe rather frankly put on the record his personal position and that of the Board, that the Board was willing to stand up to the costs, whatever it might be, and with the very excellent support by this committee and other committees of Congress, sought and received a doubling of the appropriation and put into effect, beginning August 1, a rate which produced \$61 million on an annual basis. The fact that the rate hadn't been opened earlier was simply one of—the Board not initiating a reopening and the carriers, other than one or two, not petitioning a reopening. I believe the circumstance since the 1970 occurrence is one that indicates the Board means to stand up to the problem and our failure to come up with a final figure for this year was affected partly by price control matters and the requirement that the carriers must demonstrate any anticipated cost increases.

Senator CANNON. Yet, in January of this year, the committee was informally advised by the Board and by some carriers that the Board's estimate of subsidy need for the period beginning July 1, 1971, was more than 30 million less than the need for the carriers. How do you explain this?

Mr. SHERER. The estimate made by the carrier—

Senator COTTON. Pardon me but would you please draw the microphone closer to you? I believe some are having difficulty hearing you.

Mr. SHERER. The estimate made by the carriers was made, in my judgment, about mid-1971 and it was based on the calendar 1970 final results of the carriers with the rather large projection of cost increases going forward with the minimal amount of traffic growth and with the—only a portion of the fare changes which the Board had granted, put into the formula and it produced something on the order of \$90 million of need. At that time, it just didn't seem to be supportable by the numbers supplied and we have been studying it.

In the meantime, the circumstances have changed and there is an improvement in the situation. By no means is there a \$30 million increase over the level of the carriers presently being paid in September.

Senator CANNON. In recent weeks have the carriers and the Board come closer together in estimating the amount of the current subsidy needs?

Mr. SHERER. Yes, sir. There is a meeting of the carrier representatives tomorrow in Washington. Among themselves they have a pretty good focus on what they see the need to be. We have seen their calculations and there is not a great difference.

Senator CANNON. In general terms, how near together do you think the class rate formula, the class 5 rate formula and class 6 rate formula will be?

Mr. SHERER. They are something in the neighborhood of a \$5 or \$6 million change over the level that they have been paid in September, a rate from class rate 5.

Senator CANNON. Do you think it is fair to the carriers and to the communities they service to continue to delay the finalizing of this class 6 rate?

Mr. SHERER. No, Senator. I think it is rather a deplorable situation. But in this 6 circumstance, we were not exempt from price stabilization and we must therefore have received from the carriers specific and contractually obligated increases in their costs. When we attempted to collect these, we got some figures that did not seem to be supported and we—in the meantime we passed through the yearend and have a better base period, more current, more reliable, than one that was as old as fiscal 1971. We think this is an undesirable matter, to delay the fixing of the rate and the carriers management having knowledge of how much it is and how to operate.

Senator CANNON. Now, so far the Congress has always fully supported the Board's program and one of the problems that discerns me is the fact that we are so late in having the Board come to Congress to get additional help, if that is what is needed. In light of the statement that you said, Mr. Chairman, that at present levels they were going to be barely able to maintain the service let alone continue to improve the service, it seems to me that if there is a doubt about it, that you ought to come to the Congress and try to get assistance so that we can continue to improve the service to small communities.

Mr. BROWNE. Mr. Chairman, my colleagues and I have been dissatisfied with the way that the formula setting processes had to go. This is certainly no reflection on Mr. Sherer and his extremely able staff but is due to the circumstances which he set forth.

As I say in my statement, I hope one of these days we can anticipate rather than lag the way we have. I assure you we will apply our best efforts in that direction.

Senator CANNON. Now, do I correctly understand it that at the present time the Board is presently formulating a new class rate formula which will assure service continuation at least at the 1970 level?

Mr. BROWNE. That's correct.

Senator CANNON. Now, the Board is in the process of a rulemaking study to determine whether to lift the 12,500 pound airlift weight limit. When will this rulemaking proceeding be completed?

Mr. BROWNE. May I ask general counsel to give an evasive answer to that one?

Senator CANNON. I might say you are backed up by quite a number of witnesses capable of getting around the bush.

Mr. JOHNSON. Mr. Chairman, the proceeding has passed through the oral argument stage before the Board and the Board is at the present time formulating its opinion in the case. We hope that it will be out in the near future, but beyond that, I really can't give a concrete prediction.

Senator CANNON. Well, what do you mean by the near future? Tomorrow? Next month? Next year?

Mr. JOHNSON. Well, it certainly is not next year, Senator.

Senator CANNON. And it isn't tomorrow?

Mr. JOHNSON. It isn't tomorrow.

Senator CANNON. Would you say next month or sometime later, or is it in the immediate offing?

Mr. JOHNSON. Well, it would be—my best guess would be between 30 and 60 days.

Senator CANNON. Thirty to 60?

Mr. JOHNSON. Between 30 and 60 days; yes, sir.

Senator CANNON. Is it likely to expect the Board to allow non-certificate operators to use larger, more comfortable aircraft while operating as air carriers under exemption authority?

Mr. JOHNSON. Well, without discussing the nature of the Board's decision, since that hasn't been rendered yet in this case, it can be said that the Board has in specific instances authorized carriers to operate aircraft in excess of 12,500 pounds. Mr. Andrews can provide greater detail on that if you like.

Mr. ANDREWS. There must be eight or 10 situations where the Board has permitted air taxi operators to use aircraft larger than 12,500 pounds exclusively in charter service. In addition, there must be an equal number of cases where the Board has permitted larger aircraft be used in scheduled service by air taxi operators. I would think in about six cases this has been permitted during the past 2 or 3 years.

Senator CANNON. Actually, if you get the legislative authority that you are requesting the results are going to be affected somewhat by your decision in this other matter, are they not?

Mr. BROWNE. That is correct.

Senator CANNON. Does the recent circuit court opinion in ALPA versus CAB cast doubt upon the Board authority?

Mr. BROWNE. Mr. Johnson?

Mr. JOHNSON. Mr. Chairman, the complications are pretty far-reaching. We did ask for time to try out our view of the complexities and uncertainties caused by the decision. The court has denied that request for a rehearing. We presently have under consideration several courses of action, probably including—seeking a review by the Supreme Court. However, our biggest concern at the moment is that the case may tend to cast doubt on the integrity of the exemption authority of many of our carriers. The precise holding of the case is that whenever a carrier provides—whenever a certificated carrier is relieved from service at a—on a certificated route, and a noncertificated carrier is authorized to substitute itself, then there is a presumption in favor of certification which requires that the Board hold a hearing.

Now, at this point we don't know whether the hearing is a full dress hearing comparable in size and expense to a normal certification hearing or whether it is something that can be handled by a show cause proceeding or whether it requires a full evidentiary proceeding which involves costs and delays, but it does—if it is the latter, then carriers serving by exemption will find themselves open to legal challenge whenever they seek to provide service over routes which are now certified even though they have been operating all this time under the authority of the Board's Part 298 exemption.

We are still studying this matter and as the chairman's statement indicated, we think that a proper legislative foundation is required, we will come to the Congress and request it.

Senator CANNON. How many cities in the United States currently receive air service by commuter carrier under a substitution agreement?

Mr. ANDREWS. Approximately 60.

Senator CANNON. Now, do you think—does the Board ruling, from what you say, does that seem to cast doubt on the validity of these actions the Board has taken before?

Mr. JOHNSON. Yes, sir. The plaintiff in the case, the Air Line Pilots Association, has petitioned the Board to hold evidentiary hearing in 36 of those cases. The only cases that it has not sought to hold a hearing are those cases involving Allegheny Air Lines. However, the Court has said that until the Board decides what it is going to do the Board can continue to—the exemptions which are currently in effect. The decision does not precipitate an immediate crisis as far as the substitute service is concerned. In other words, there is no immediate danger that they will lose their right to serve the public.

Senator CANNON. What has generally been the community reaction and the response to the substitution service sanctioned by the Board?

Mr. BROWNE. It is varied, Mr. Chairman, depending on the instance. Mr. Andrews can go into further detail. It has ranged all the way from considerable satisfaction in those cases where increased service was provided, to dissatisfaction where the community simply didn't like what it was getting.

Mr. ANDREWS. Mr. Chairman, I might say that in most of the situations involving substitutions where an Allegheny commuter type of arrangement has been instituted, the community reaction has been generally favorable. I think in a very few instances these arrangements have had to be terminated because traffic has not increased, but for the most part the community reaction has been good, frequencies have increased, and total traffic handled has dramatically increased, particularly during the first 2 years.

Now, there are other situations where the results have not been quite as good. We have a whole range of experience. You cannot—I would say, generalize, and indicate that it has been all good. There has been a broad range of results, but I think that for the most part the substitution arrangements have been successful.

Senator CANNON. Why wouldn't you be better off to go ahead with the substitution arrangements, speeding that up, rather than coming in with a novel new contract approach? Is that basically because your contract approach would get into communities that are not presently being served?

Mr. BROWNE. Well, first of all, it would reach communities which simply cannot be economical, where the commuter carrier could not be persuaded to operate; and secondly, there would be the hope of providing service to new points.

Mr. ANDREWS. And also there is a problem involving the fact that a number of the union agreements involving local service agreements and their pilots prohibit arrangements of this sort. There is some proscription against a local service carrier and a commuter carrier entering into a voluntary suspension, substitution arrangement.

I think this has been true in the case of Frontier in the past, and I am sure it is true in the case of other carriers.

Senator CANNON. Do you mean to say then, the Board's action is going to be superseded by the Board's agreement between a local service carrier and their employees?

Mr. ANDREWS. I want to say, in many instances, cooperation has been achieved between a local service carrier and a commuter airline. This has been particularly effective in those situations where there has not been a union contract of the local service carrier which prohibited the arrangement.

Now, the Board has permitted several suspensions of certificated air service at points where substitute service is provided but where there is no contract between the certificated carrier and the commuter airline. There are a number of arrangements involving Northeast Airlines, for example, where the Board has permitted a suspension of service by Northeast under conditions that replacement service is provided by a commuter airline. But there is no contract between the certificated carrier, Northeast, and the commuter airline providing substitute service.

Now, this is considerably different from the arrangement between Allegheny, for example, and the commuters that provide Allegheny commuter service. There is a contract arrangement between the two. There generally is provision for financial guarantees to the commuter airline. There are provisions for use of Allegheny's reservations system and the arrangement is a much more sophisticated one than is the case in some situations where no underlying contract exists between the two carriers.

Senator COTTON. Mr. Chairman, I think that was an excellent question you asked. Before you leave that point, I would like to ask a question which I intended to save for later.

If the Board is permitted by statute, to directly take bids and to make contracts with these commuter carriers, is there some protection to the carrier that the carrier does not have when he is merely substituting service for some other carrier pursuant to a contract with it?

In other words, although a small commuter airline may be doing fairly well under the present situation, it has no route protection and any other small carrier can step right in and compete with it. Then none of them come anywhere near paying their way and it could knock the carrier right out of business.

Now, under your contemplated arrangement, would there be some protection against that sort of thing?

Mr. ANDREWS. Well, the basic theory behind the Board's proposal is that it is a procurement of service so that the protection that the

carrier would receive would be that which flows from the fact that it has an effective contract with the Government and the Government would be paying that carrier for the provision of a quantity and quality of service set forth in the contract.

Now, our basic thinking has not contemplated that there would be protection from the institution of any competitive services that some other commuter carrier might wish to institute. We had the feeling, however, that the carrier that has the underlying basic contract with the Government would be in a very effective position to provide a good service and that there would be small likelihood, if it is in fact providing good service, that another carrier would seek to enter the market.

Senator COTTON. I think I got your answer. In effect, the carrier would be receiving a subsidy?

Mr. BROWNE. Yes, sir.

Senator COTTON. And give regular service? Any other carrier coming in to serve the same route would do so at its own risk, since it would not have the advantage of subsidy and therefore it would not be likely to be in a competitive position?

Mr. BROWNE. Yes, sir.

Senator CANNON. If you were to get this \$2 million funded authorization for the experimental program, how many communities could—would likely receive service through that system and how many of those would be communities that presently do not have any service?

Mr. BROWNE. I will refer it to Mr. Andrews. In our first announcement we spoke of possibly three or four areas. I will have to ask Mr. Andrews how many communities that means, in other words what kinds of systems and what about new service.

Mr. ANDREWS. We studied the costs at six points. We reached the conclusion that these points would cost about \$60,000 per year in terms of subsidy.

Senator CANNON. Is that between city pairs that you are talking about?

Mr. ANDREWS. It is the provision of a basic kind of service to and from this marginal community. It may be connecting service to one large center or to more than one large center. But if one assumes that this \$60,000 per year is typical, that would give you a total of about 30 or 33 communities that might be included in such an experiment.

Now, these communities which we looked at had traffic generation of about 15 passengers per day.

Senator CANNON. Through certificated service?

Mr. ANDREWS. These are all receiving certificated service, yes.

We have been thinking that the plan could be used in those situations where traffic generation is from five to about 25 passengers per day. So it would all depend, Mr. Chairman, on which communities were selected. If you selected communities at the upper end of that range, you might be able to test it at approximately 40 points. If you looked at communities at the lower end of the range, you might be looking at a total of about 20 communities.

Senator CANNON. But you don't envision that this experiment initially could include communities that are not presently receiving certificated service?

Mr. ANDREWS. It could, although for the most part, we would feel that we would be testing the efficacy of this system in contrast

with the existing subsidized system. For the most part, I believe the Board's efforts would be directed toward providing this new experimental service at marginal points now on the subsidized certificated system.

Senator CANNON. And would it be possible, would you envision that local service carriers could bid on this as well as the noncertificated service?

Mr. BROWNE. Yes, sir; we would.

Senator CANNON. Now, do you envision that because of the type of contractual situation you mentioned earlier that it may be necessary for you to hold a hearing and revoke a certificate for a particular—before you could put in this kind of contractual service?

Mr. JOHNSON. Mr. Chairman, the bill, as presented, does provide that the Board could temporarily suspend a certificated carrier during the period of the experiment. This expressed authority would overcome the problems that the court of appeals found in the board's current procedure.

I would like to say also that the Board—the bill as drafted does clearly authorize additional—through service to points not now on the certificated system. It was drafted to have that flexibility in mind.

Senator CANNON. Now you said in your testimony that there would be no preference given for a follow-on at the end of the 3-year period. Don't you think that is likely to inhibit a successful bidder coming in and really trying to build up a good service and improve equipment to make it more attractive if he has no assurance of a follow-on?

Mr. BROWNE. Well, I don't think so, Senator. I think the impetus would be the other way and particularly you would avoid the problem of the 1930's of buying in cheaply just to do that, to get grandfather's rights. I think that is one of the things the drafters were trying to avoid.

Mr. ANDREWS. Well, I might add something, Mr. Chairman, to that. We are visualizing this situation as a procurement arrangement. What we are trying to do is buy the most economic air service for small communities. We are not looking at it in terms of a means by which to maintain carriers in being, although we feel that many of these carriers who will be successful bidders have been in business some length of time and are likely to continue to be in business.

Now, we do have a parallel in relationship to the Post Office Department's procurement of air taxi service where typically they have anywhere from five to 15 prospective bidders for their air taxi mail service. They are looking at their mail transportation problem as a procurement problem. That is the manner in which we are looking at the Board's proposal.

Senator CANNON. Now, your statement notes that the OMB objects to the provisions of the legislation which requires that contract conditions calls for maximum rates and fares to be charged the contractor. How would the CAB, if you didn't have that type of requirement, evaluate the economics of the various bids which might be submitted pursuant to the program to insure that they were economic, just and reasonable before deciding on the successful bidder?

Mr. ANDREWS. Mr. Chairman, we are going to be engaging in the provision of a new form of service to some of these communities, where we have had, in the past, the ability to regulate the rates that

the local service carriers have charged. We have felt that it would be desirable for the board to have this same kind of authority to assure itself that any new form of experimental air service would not be a service for which the prospective passengers would be charged excessive amounts. We have thus felt that it is quite desirable for the board to have authority over the maximum fares that could be charged by commuter carriers in an experimental air service arrangement.

Senator CANNON. You envision that there would be any type of a local service carrier might continue to operate over one of these contractual segments?

Mr. BROWNE. I don't think so, but Mr. Andrews?

Mr. ANDREWS. We would be hopeful that in most of these arrangements the certificated local service carrier would be willing to have these marginal points taken off of the system for an experimental period of time. There are some advantages that flow to a local service carrier from the elimination of marginal points. We would be hopeful that we could select communities where the local service carrier was interested in having the point removed from its system.

Senator CANNON. Well, you say you would be hopeful. I would be too. But I want to make absolutely sure that if we gave you this kind of authority, we wouldn't find ourselves in a situation you might be permitting a local service carrier, under subsidy, to go over the same route that you have on these contractors operating?

Mr. ANDREWS. Well, with the Board's power to suspend the certificate authority of a local service carrier at one of these marginal communities, I do not foresee that that kind of situation would exist.

Mr. JOHNSON. The bill would provide that the Board could suspend the carrier from providing that service, Mr. Chairman, and if that were so, the local service carrier would not provide the service and would not be receiving subsidy for service it wasn't providing.

Senator CANNON. Now, generally, under the Federal Aviation Act, certificated carriers have been required to perform at least two roundtrips daily to cities on their system to remain eligible for subsidy at each point. Under the contract system, how many daily frequencies would you consider adequate to meet the public convenience and need?

Mr. ANDREWS. We would feel that these contracts would probably call for at least two roundtrips per day. Now, we have noticed that whenever there have been substitute arrangements that more often than not, the new commuter carrier has raised the number of frequencies in the market and thereby has increased traffic. We would assume that in many of these situations, frequencies above two roundtrips a day would be operated.

Senator CANNON. What level of inflight service and comfort would be required of the contract operator?

Mr. BROWNE. I can't answer that specifically, Mr. Chairman, but I would assume with the type of aircraft involved, such services or such frills as we say, would be absolutely minimal. The aircraft in question are not suitable for providing refreshments and so on. About all they are providing is transportation.

Mr. ANDREWS. That is true, Mr. Chairman. The flights we contemplate would be viewed primarily to connect the small community to a larger community that would continue to be in the certificated air transportation system. So the flights would be relatively short in length.

Senator COTTON. Just very quickly, Mr. Browne, I want to compliment you on your prepared statement on behalf of my constituents from New Hampshire. We would like to express our appreciation for placing our community on the same plane as those exotic international points.

I want to say you hit the nail on the head. You noted the following, "It is virtually a matter of economic and social survival. What significant industries would locate in an area without good air service."

I am particularly pleased with that part of your statement. This is exactly the theme that ran through testimony received last September from the Governor of New Hampshire and local civic leaders, chambers of commerce, as well as organizations in Vermont.

Now, the chairman partially covered this, but you indicate:

The board has no objection to two of the four changes in the bill S. 3460 which you are proposing today which has been advanced by the office of management and budget. What is the board's position on the other two recommendations of the office of management and budget concerning maximum fare levels and the contract authority to specific minimum aircraft size.

Mr. BROWNE. I believe Mr. Andrews answered the maximum fare question. If not, I would be glad to have him work on it again. We think that some minimum aircraft size would be in the contract to maintain a level of service. In other words we are trying to rule out aircraft which are not only unsafe but below a certain minimum standard of comfort. That is all that is supposed to do. We don't want to have the successful contractor able to use Piper Cubs, not that I have anything against Piper Cubs, but we want to be sure the public will have not only safe but reasonably comfortable aircraft.

Senator COTTON. How many passengers does the Twin-Otter take?

Mr. BROWNE. Depends on the configuration but roughly 19.

Senator COTTON. On the Beech 99?

Mr. BROWNE. I believe 15.

Senator COTTON. In your prepared statement, you make reference to the recent decision of the Court of Appeals for the District of Columbia in *Airline Pilots' Association v. Civil Aeronautics Board*.

I think it would be helpful if we had this decision in the hearing record, Mr. Chairman, and I would like to ask Mr. Browne to furnish a copy so that it may appear at this point.

Mr. BROWNE. We will be glad to furnish this material, Mr. Chairman, if you like us to.

Senator COTTON. Is it a voluminous opinion?

Mr. JOHNSON. No, sir. It is a fairly short opinion.

With the committee's permission, I would like to submit a copy of the Board's brief to the court on reconsideration.

Senator CANNON. I think we will have the decision appear in the record. We will be happy to have a copy of your brief filed with the committee.

Mr. BROWNE. Thank you; sir.

Senator COTTON. Now, I note, Mr. Browne, that there is a three-volume study done by the staff of the Bureau of Operating Rights of the CAB concerning air service to small communities.

Although I have not examined it in detail, it does appear that New England service was left out of this study entirely.

Was that because of the pending New England service investigation?

Mr. ANDREWS. Well, Senator Cotton, we were dealing primarily with local service carriers in this situation and, of course, we recognize

that there is pending a New England service investigation which contains many, many fundamental issues concerning the provision of air service to small communities.

So, we tried to avoid dealing with any of the issues that were specifically included in that proceeding.

Senator COTTON. Well, in other words, New England was left out because you are saving that for the present special investigation of that region?

Mr. ANDREWS. Well, New England is included, but for the most part we are dealing with carriers who are receiving subsidy and at the moment in northern New England I don't believe there is any subsidized air service.

Senator COTTON. Yes and that leads me to another question. But, before I ask it let me say that I am a little unhappy about the size of these commuter aircraft, and I want to reserve my position on that point. Now, it is my recollection every one of the certificated air carriers that either have rendered service or have expressed a desire to render service in northern New England has stated categorically that under no circumstances would they accept any subsidy.

I think that is a fact. I assume the reason for such a position is that these trunk lines feel that, if they accept a subsidy for any part of their service, it might militate against them when the day came that they would be making application to the Board for certification on a new route.

Is that probably the case?

Mr. ANDREWS. Well, Senator Cotton, I think that may have been true with regard to Northeast Airlines a number of years ago, where they more or less voluntarily sought to remove themselves from subsidy eligibility.

However, we do have Allegheny and Mohawk—now Allegheny—up in New England which is receiving subsidy.

Of course, the issue of whether or not air service should be subsidized as a result of any Board decision in the New England air service case is an issue in that proceeding.

Senator COTTON. I seem to recall—and I want to avoid getting into a pending case—I recall something on that at our hearings held in New Hampshire. It is my recollection that Allegheny emphatically stated it would not receive any subsidy. I think Northeast, of course, reiterated their position at various times while they are still supposed to be rendering service. Of course, this has been one of our difficulties.

Now, I asked part of this question while the Chairman was questioning you, but under legislative proposal, S. 3460, what route protection, if any, would be afforded those carriers with whom the Board would contract?

I recall your answer was that they would have only the protection that they would be subsidized and that while another carrier could come in, it would be at a competitive disadvantage because of subsidy.

Was that your answer in a nutshell?

Mr. BROWNE. That is correct.

Senator COTTON. Now, if this bill should become the law in some form, what would be the situation as to requirements of the carrier living up to its schedule except when clearly prevented by weather or other conditions? Would there be any follow-through on that requirement to insure performance?

Mr. BROWNE. It would be under contract for service on a minimum service pattern, as Mr. Andrews said, presumably two roundtrips a day.

If they thought they could do better with more, of course, we would be delighted to have them. If they fell below that service, for reasons, as you say, other than operational ones like weather, presumably they would be in breach of contract.

Mr. ANDREWS. I might say, Senator Cotton, that the Post Office Department is seeking a performance factor of 95 percent. They assume that if an air-taxi operator can provide service 95 percent of the time, that that is adequate service.

We have a feeling that that is a desirable objective also, that that might be the goal to which these contractors should strive, and, of course, they would not get paid for any flights they would not operate. There would be an incentive to them to provide service that is contracted for.

Senator COTTON. Well, that would be some protection. It has been my unfortunate experience that there has been a steadfast policy on the part of some air carriers in certain sections of the country to follow the system that in the old days they used to attribute to the Pennsylvania Railroad when they said, "The Pennsylvania Railroad hates passengers."

Apparently, by design, there were many trips that were scheduled but not performed. There were no weather conditions preventing it, but a multitude of other reasons were raised, such as mechanical failure, no equipment, and so forth.

Because of that trend airports in our region that previously had a pretty good passenger traffic generating record have experienced a steady decline. Now, we all understand when weather conditions preclude flights, but unless the public can have a reasonable expectation that a flight will be performed as scheduled, they just give up and resort to using automobiles.

That has been exactly what has happened in northern New England. It has happened to me personally.

Now, if instead of having certificated airlines contracting for this substitute service, the Board does it, dealing directly, with it paying the subsidy and assuming the responsibility for the service, would the Board be able to put a stop to this sort of thing?

Mr. BROWNE. Yes, sir.

As Mr. Andrews said, they don't get paid for flights they don't perform. We have that control over them and they are bound by contract.

Moreover, the Board does propose certain minimum standards as far as responsibility, financial responsibility for a bidder.

Mr. ANDREWS. The Board could include a penalty in the contract arrangement, in the event that there was an improper cancellation of flight, for example.

Senator COTTON. For example, if an unreasonably large percentage of flights were cancelled?

Mr. ANDREWS. Yes.

Senator COTTON. Are you equipped to follow-through and check on every flight, as to whether that particular flight performed as scheduled? In other words, would the Board have records to show the

percentage of flights that were cancelled so it could judge whether there was a valid reason for such a failure to perform?

Mr. ANDREWS. Yes. Right.

Now, of course, the Post Office is in a very good position, under its contracting arrangement, to keep track of the adequacy of service provided by its contractors.

The Board would not only be receiving carrier reports, but in all probability would be receiving information from the local communities concerning the consistency of service that is provided.

Some arrangements would have to be established to permit the Board to assure itself that the contractor is living up to his undertaking.

Senator COTTON. Well, I am gratified with your testimony.

I realize that this has no application to the particular problems that Senator Aiken, myself, and others are facing because that is being left for a subsequent determination. The question is whether this would satisfy the situation.

It seems to me that at least it does hold forth the prospect of improved air service. And, to that extent I am impressed by what you have had to say.

If the chairman will allow me, I just want to call your attention to one thing that came to my attention about 2 weeks ago. This has to do with service in New England.

People came to me who invested well over \$1 million in the ski development in northern New Hampshire. There are many in both New Hampshire and Vermont.

They came into my office and called my attention to the fact that because of special fares by international air carriers across the Atlantic where arrangements can be made for a week in Switzerland, northern France, or some other places for skiing, and because of the impossibility of getting beyond Boston to go to the ski resorts of Vermont and New Hampshire, skiers can actually go to Europe with more time to ski, and at no greater expense than it would be for them to go to northern New Hampshire or Vermont.

Now, that is rather a concrete example of how devastating lack of adequate air service can be for a region which depends so much on recreational income in its economy.

I therefore commend you for your proposals today. Finally, if this bill passes, in what regions do you plan to provide this air service?

Mr. BROWNE. I don't believe we are ready to state yet, Senator, what regions.

Senator COTTON. This doesn't apply to our New England region?

Mr. BROWNE. Mr. Andrews says, "Technically, it would."

Senator COTTON. In other words, after you got through with your New England investigation it might apply or it might not?

I think I understand.

I thank you.

Senator CANNON. Senator Stevens.

Senator STEVENS. Chairman Browne, you mentioned the subsidy ineligible areas.

Would this contract procedure change any of those areas currently considered subsidy ineligible?

Mr. ANDREWS. Under this contract procedure, Senator Stevens?

Senator STEVENS. Yes.

Mr. ANDREWS. No, it would not. The experiment, as I mentioned earlier, is designed basically to determine whether or not this new system is better for the provision of service to small communities than the current system of local carrier subsidy and there is no prohibition against the inclusion of points, however, that are not now receiving subsidized certificated air service.

Senator STEVENS. Mr. Andrews, you mentioned 60 communities, I believe, that you said had substituted service already; is that correct?

Mr. ANDREWS. There are approximately 60 communities that are suspended right now where there is service being provided under a contract replacement service or in the light of the fact that somebody else is providing commuter service; yes, sir.

Senator STEVENS. Are those the ones that are attached to the chairman's statement or is that just a portion of it?

Mr. ANDREWS. No, sir; those are not. Those are just a portion.

Senator STEVENS. Would you provide a statement listing those communities? I would like to see where this has been carried out.

Mr. BROWNE. We would be pleased to.

Senator CANNON. File that for the record.

Senator STEVENS. Chairman Browne, have you given any consideration to the use of this new procedure in areas where there is not alternate means of transportation?

I am sure you know we have that situation in Alaska where we have only one means of transportation and that is air. There are some instances involving a claim of inadequacy of service under the existing certificated carrier providing—where there is just one carrier.

Is any consideration going to be given to using this to provide supplemental service into the areas where they have only one carrier?

Mr. BROWNE. Mr. Andrews' Bureau of Operating Rights are the architects of this proposal.

It is my understanding it would include services of the type you are describing, such areas?

Mr. ANDREWS. Yes.

Senator STEVENS. Alaska was, at the time you make your original statement, listed as one of the areas in which this type of service could be utilized.

As I understand it, you indicated you are not prepared to state what specific regions in which the authority would be used if it is granted by Congress.

Mr. BROWNE. Yes, sir.

In my original statement made in Wichita, Kans., I mentioned Alaska as one of the typical areas where services appeared to be an attractive proposal. However, we are leaving our own bureaus to tell my colleagues and myself what recommendations they will make. They have not come forward with any of them as yet.

Senator STEVENS. Let me ask you this: If you make a contract to provide this type of service for a particular community, would that exclude the air taxi operations that you have mentioned?

Mr. BROWNE. No, sir, it would not. But the air taxi would not be receiving any subsidy payment.

This gets back to the Chairman's question, I believe, of what would happen with competition coming on the scene. Our surmise is that it would be difficult to compete with a subsidized service.

Senator STEVENS. I have been told that some of our people are worried that there might be an exclusive arrangement made by virtue of these contracts which would limit the access of air taxi operators to nonscheduled service.

Mr. BROWNE. No, sir. There is no intention to provide exclusive service.

Senator STEVENS. This would then be a supplemental service, but a required schedule would be inserted in the contract for this type of service, is that right?

Mr. BROWNE. That is right, sir.

Senator STEVENS. Do you envision that these contracts would be in conflict with a State's intrastate regulatory authority, as we have in Alaska?

Mr. BROWNE. May I turn to general counsel?

Mr. JOHNSON. Senator Stevens, for the purpose of the experiment, the proposed bill would make the Federal Government's authority exclusive; that is, it would occupy the field to the exclusion of the State authority as a matter of law only for the experiment and for no other purpose.

The object is just to avoid difficult legal problems during the period of the experiment and it is not intended as any precedent for the future.

The Board has consistently over the years respected the authority of the State aeronautical authorities. There is a provision in the bill for cooperation with State authorities before making any decisions on choice of area or choice of community, and the type of service to be provided.

So the Board would work closely, but as a legal matter, we have designed the bill to avoid interstate-intrastate-Federal-State jurisdictional problems in order that the experiment can proceed uninhibited.

Senator STEVENS. Some of these areas do have existing service which is certificated by the State regulatory authority. I am thinking, for instance, of the Anchorage-Kenai Run, which has a unique commuter service plus the service of a certificated carrier, certificated by your Board.

Do you contemplate that the experiment would be tried in areas where a similar circumstance exists? Is there a concept here that this authority is going to be used only where there is an inadequate service at the present time?

Mr. ANDREWS. Yes, sir; it is designed to provide a quantum of service in what we have termed marginal communities. The concept there is that these are communities where there is some question concerning whether or not air service will continue to be provided without subsidy. I guess you could generalize and say that we are looking at the fringe areas in the air transportation system.

We want to make sure that there is some means of assuring that air service, needed air service, will continue to be provided at these places.

Senator STEVENS. Very good; perhaps we ought to bring some of that idle equipment down from Alaska to assist my good friend, the senior Senator from New Hampshire and to give them the service of people who know how to fly safely in the winter time.

Thank you very much.

Senator CANNON. Let me clear up one point. The last question seemed to indicate this would likely occur only where inadequate service was being furnished. I don't think that is quite true. Aren't you contemplating it is where adequate service is being furnished but perhaps more service than is justified because of the load generation of passengers, and what you are really trying to do is provide a continued frequency of service with a lesser equipment and subsidizing it so they can improve service?

Mr. ANDREWS. Mr. Chairman, we have been concerned that over the years there are occasions when local service carriers desire to terminate service at some of their marginal points. It is in the light of that trend that we have made this proposal. We hope that it will result in improved service at possibly a lower cost to the government.

Service will be improved at least in respect to the number of frequencies that are likely to be provided because aircraft will be more closely sized to market needs.

So we are looking toward both an improvement in air transportation to the small communities as well as a possibly lower cost to the government.

Senator STEVENS. Mr. Chairman, maybe I wasn't clear in my question.

If I may, we have a subsidy-eligible route, as I understand, from Anchorage to Kenai to Homer to Kodiak. There is also a commuter service that is certificated by the State regulatory authority between two of those points, Anchorage and Kenai.

What I was trying to find out was whether you intended to use this authority to bring about a reduction in the overall subsidy of the subsidy-eligible route where there is in fact already service certificated by the State regulatory authority that covers a portion of that route?

Mr. BROWNE. Mr. Andrews says that it sounds like in all candor we have not focused on that problem.

Senator COTTON. I would like to make one comment. It has to do with this bill, and I make it as one who has for years faced this problem.

I am glad to note that you are talking about two round trips a day. It has been my observation that airlines promise too many trips. It is much better in marginal areas, to have a lesser number of trips per day but be able to rely on them. I think that my own people are very conscious of this fact. We, for example, have experienced unreliability.

Now, in certain seasons of the year, when we have early morning fog conditions, it is very impractical to schedule a flight much before 9 or 10 o'clock in the morning. After that time it is practical because the statistics show that the average ground fog raises between 9:30 and 10 o'clock in the morning.

While I question whether these small planes could furnish adequate service, if your experiment shows that reliability stimulates traffic, there is nothing to prevent your requiring either a larger plane or two sections of the smaller planes be run, is there?

Mr. BROWNE. No, sir; there isn't.

Senator COTTON. Well, it seems to me that in all fairness this is the way to approach this problem. Some of us contend that the lack of traffic has been caused intentionally by the carriers. We may be unfair, but certainly if a minimum service is guaranteed through a direct contract under this bill, I think it presents a very real opportunity for

the CAB to be able to take affirmative action and intelligently measure air service needs.

I wish you well on this experiment. I hope that eventually it will benefit those of us whose constituents desperately need air service.

Senator STEVENS. Let me ask one last question: Do you contemplate ticketing from the regularly scheduled carriers through to your contract carriers?

Mr. BROWNE. Yes, sir. Interline.

Senator STEVENS. Will the contract carriers be able to have the reverse interline ticketing?

Mr. BROWNE. That would be our proposal.

Senator CANNON. Counsel has a couple of questions.

Mr. GINTHER. If I may address this to your general counsel, given a hypothetical situation, Mr. Johnson, in which you had a contract route within the boundaries of one State—Alaska would be an example, what authority is there in this proposal to preempt the regular State authorities from preempting that authority?

Mr. JOHNSON. It is contained in the definition of air service and also in the definition of air carrier. The reason that—in the Federal Aviation Act—the Board does not have authority over separate State services because the definition of air commerce is narrower than the definition that applies to safety where there is a clear preemption.

We have designed the bill to give us the broader authority for the purposes of this experiment only and it's stated in more detail in our section-by-section analysis. In section 2, paragraph 2, we talk about air service and how that definition is broad enough to cover purely separate State service. I say again in anything the Board would do, we would do it right with the local authorities and the State authorities.

The reason for preemption here for this experiment is solely to avoid legal problems that might impede the experiment during its limited life. It's intended for no other purpose.

Mr. GINTHER. Another legal question, if you permit. The legislation as you propose it would permit the Board to exempt all contract operators from title power of the Federal Aviation Act with the exception of subsection K of 401. Why does the Board propose to provide no exemption from that section of the act?

Mr. JOHNSON. That is an exemption or exception that was placed in the act very early to protect the arrangements that pilots had made with the airlines and it was in the interests of the pilot groups primarily.

We felt it desirable to avoid any challenge to the bill on the ground that it was intended to be antilabor in some fashion. It is not intended to be antilabor in any fashion. We thought preserving that particular exception, which has to do with the Railway Labor Act and other things, was a good way of avoiding any complication that we had any antilabor intentions.

Senator CANNON. Thank you, gentlemen. I appreciate it very much.

Next witness is Mr. Robert H. Binder, Acting Assistant Secretary for the Department of Transportation.

STATEMENT OF ROBERT H. BINDER, ACTING ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS, DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY RUSSELL F. MURPHY, CHIEF, INDUSTRY ANALYSIS DIVISION; AND JOHN B. FLYNN, CHIEF, POLICY REVIEW DIVISION

Mr. BINDER. Good morning, Mr. Chairman, members of the committee.

Before I begin I would like to introduce the gentlemen who are with me this morning. On my right is Mr. Russell F. Murphy, Chief of the Industry Analysis Division; and on my left, Mr. John B. Flynn, Chief of the Policy Review Division of policy review in my office.

I appreciate this opportunity to appear before you today to discuss in general local air service problems, and more particularly, the proposed "Limited Air Carrier Act of 1971" (S. 796) and the CAB draft bill providing for the demonstration of contract air service to small communities.

The Department has been conducting some analyses of the commuter air carrier industry with a view to determine its proper role in the national transportation system and to identifying desirable regulatory changes affecting it. Our work has drawn not only on previously existing information but also on detailed case histories and on-site visits to carriers in the industry so that we might benefit from first-hand observation. These visits have been most informative.

Our study has been completed and I would be pleased to offer it for the record of this hearing, if you please.

Senator CANNON. Very well.

Mr. BINDER. Some of the issues raised by the two bills before the committee lead us inevitably to broad problems which affect transportation policies across the board. I am, of course, referring particularly to determination of the criteria to be used in deciding what transportation services, if any, should be subsidized. For the Department of Transportation this issue is complicated by our responsibility to foster an adequate and efficient transportation system regardless of mode. We believe that the important question is not which community should receive subsidized air service. Rather, it is which community should receive any kind of subsidized transportation service and, if there is to be subsidization, which mode is most appropriate to receive it. This is of course an enormously complex issue that we are just now beginning to come to grips with, especially in the area of rural transportation service.

The Department has been actively involved for almost a year studying the problem of adequate and efficient transportation service to small communities, and we welcome these hearings as an opportunity for wider discussion of it.

At this point it may help place matters in perspective to cite a few statistics on comparative transportation costs. Travel by commuter airlines is, generally, a relatively expensive proposition with fares averaging about 17.5 cents a passenger-mile, or about \$17.50 for a 100-mile trip. Individuals airlines, of course, differ. One commuter airline has fares which average about 10 cents a passenger-mile fare. It appears, however, that even with an airline's 10 cents a passenger-mile fare, the private automobile constitutes formidable competition.

An analytically minded traveler will quickly perceive that driving will cost only 4 cents per vehicle-mile in out-of-pocket costs. The relative costs of the air and auto modes are even more disparate for a party of travelers because the already lower perceived auto costs can be divided among them, whereas each must pay the air fare.

Bus and limousine service also have inherently lower costs. And for short distances, these nonair modes may provide very competitive trip times, as well as more convenient and direct point-to-point service.

But we all know that comparative economics are not always that decisive. Considerations of convenience, that is, saving trip time or avoiding the "friction" of changing modes may outweigh the higher cost of the commuter air mode. For example, for a traveler making connections from another airline there simply may be no alternative public transportation available, or, the alternative, say, rental cars, for instance, may be more expensive than the commuter air service. In fact, commuter air carriers are specialists in feeder or interline service with one analysis showing that about 80 percent of all their passengers connect with other airlines.

I mention these things not simply to illustrate the complexity of the issue—I have, of course, barely touched on the complexities here, but to point out that other, lower cost modes must also be considered in any decision to subsidize short-haul service. We also must keep in mind that most air commuter travelers are businessmen, high income professionals, or Government officials, who, as individuals, may have less justification to claim subsidized transportation than persons in many other groups.

We need also to be concerned about the effects of any Government action on the cost structure of the commuter airlines. The bulk of available evidence indicates that the costs of operating commuter air carriers, especially labor costs, are more likely to rise in the future than remain steady. Due to lack of opportunities in the certificated airline industry, flight crew and station agents have been readily available and their salary structures have stabilized.

As overall airline business improves the costs for these skilled services will rise as this source of labor diminishes. One can also reasonably predict a renewal of upward pressure on salaries from labor unions. Overhead costs, too, can be expected to rise somewhat, especially if S. 796 is enacted, because of the legal representation and reporting costs that go with certification.

Before giving you our views on the specifics of the two bills before the committee, I'd like to touch on a few other matters. First, I want to point out that our present position on commuter air carrier regulation needs to be viewed in the context of our position on transportation regulation generally. As you know, the administration believes that many changes in our regulatory structure are in order. While we recognize that some regulation is needed, we feel that insofar as possible the Government should leave the normal economic and management decisions of running their businesses to the carriers themselves. We would like to see greater flexibility for management to change fares, and we are looking at the benefits of easing restrictions on service.

Second, we are inevitably drawn into a discussion on the regulation and subsidization of the certificated local service carriers, which

commuter carriers both complement and compete with. Without going into the matter in detail, the Federal Government does not seem to be getting any bargain now in terms of what it is paying the local service carriers for flying low-density routes.

In some cases it appears that the amount of subsidy would cover the entire operating costs of providing the same service with commuter type aircraft. Clearly, these commuter carriers have the potential to turn a profit on many currently subsidized local service air carrier routes. In many cases where the commuters have taken over such routes, the frequency of service has improved and the market has responded favorably.

Clearly then, it would be in the best interests of the flying and tax-paying public to revise regulations which inhibit commuter carriers from providing transportation services in many local service markets. I'm not for a minute suggesting that regulatory rigidities constitute the only inhibition to desirable service changes. Other factors such as labor contracts and community resistance often play major roles. However, the regulatory function, being essentially a governmental responsibility, is of direct concern to the Department of Transportation.

Now I would like to discuss S. 796, the bill which would create a new class of air carriers called, "Limited air carriers" to serve small and medium-sized communities.

In the Department's view, the commuter air carrier industry has been and should continue to be a very healthy development in transportation. It is young and vigorous and is bringing to the airline industry an almost always beneficial ingredient known as "new blood." Much of its success to date seems attributable to the fact that it is not closely regulated. Commuter carriers can easily set fares on a competitive basis, initiate service in markets which appear to be profitable, and withdraw from those which are not.

In view of this, we believe S. 796 is at best premature and unneeded. Any expansion of regulation of commuter carriers should be carefully weighed against the need to review the overall regulation of existing certificated air carriers. The most recent class of carriers to be certificated—the local service carriers—have evolved under regulation into a structure making them best suited for medium-haul carriage, a result which took place under existing subsidy programs and runs contrary to the original purpose of their certification. We should be very careful not to create still another class of carriers to relive the same experience. Probably the best thing that can be done for commuter carriers is to facilitate the transfer of currently unprofitable local service carrier routes to them.

Some members of the commuter carrier industry have taken the position that their current exemption to operate under part 298 of the CAB regulations instead of under a more positive mandate gives them a public image of insignificance. The Department has no objection to affording more positive recognition to the commuter carriers, but we believe it should not bring along with it regulation which would not be in the best interest of the overall transportation system and the carriers themselves.

The Department does feel that there may be justification for route protection in developing markets where there is insufficient traffic

for more than one carrier. It is not clear whether such protection would be provided under S. 796, although the testimony of Chairman Browne this morning, and his assistant, shed further light on that. We believe, however, that provision of this protection on a permanent basis would create more disadvantages than advantages. Commuter carriers have been able, without route protection, to purchase or lease aircraft, so it cannot be argued that free entry has precluded the availability of service. Successful airlines recognize that good service provides the best discouragement to competition. Permanent route protection can encourage managerial lethargy and overcapacity, and can inhibit price and quality of service competition.

Neither do we believe another class of carriers should be created which would be eligible for subsidies as local service carriers are now. The bill, of course, does not require or insure such subsidies, but it does open the door by way of making commuter carriers legally eligible for them, an expansion that the Department of Transportation opposes. However, we do not oppose individual carriers obtaining payments for local service carrier replacement services on subsidy eligible routes.

The Department believes that commuter air carriers have an important role to play in the national transportation system, but we do not agree that either the traveling public or the carriers would be better off if S. 796 were enacted.

Now I would like to turn to the proposed experiment the CAB draft bill would establish to evaluate the advantages of a contract method of providing air service to small communities.

The Department is favorably disposed toward the proposal to the extent it would test whether the contract system would result in lower subsidy payments than those currently in existence, either to local service or to commuter carriers. We are not altogether certain that it is wise to use the experiment to subsidize points not now receiving subsidized service. The extension of subsidized service to more than a very small number of these points would seem to be more than experimental, and should await evaluation of the test. Analytically, it would appear to be more useful for the Board to run the experimental program in currently subsidized communities so the Board would be able to compare the amount of experimental subsidy against the amount of the current subsidy which it is intended to replace.

Because of the Department's broad responsibility to foster an efficient transportation system on a multi-modal basis, we are most interested in the formulation of criteria for the establishment of any new subsidized service. We note that the Board's staff (the Bureau of Operating Rights) has devoted considerable study to the establishment of criteria for entering into contracts for air service under its proposed bill. However, we only received this staff study one week ago and, therefore, we would like to have the opportunity to review their analysis in greater detail.

When we have completed that review we will be pleased to make that available to this committee as well.

We are pleased to note that the proposal and the supporting papers take into account the availability and practicability of alternative means of transportation to and from small communities. We would hope, however, that after further study we would be able to provide

some valuable guidance as to how the proposed experiment could be most usefully employed in a multimodal context.

There are two other features of the bill we would like to discuss briefly. These are the requirements that the Board include in its contracts with air carriers maximum rates and fares the carriers may charge, and minimum capacity requirements in respect to the aircraft they will operate.

We recognize that rate regulation, at least to the extent of controlling maximum and minimum rates, is a predominant feature of the Government regulatory structure in the field of passenger operations. However, commuter carrier operations have long been conducted free of such controls and with encouraging results. We would prefer to see them continue to operate in that manner under the CAB bill and, therefore, we recommend that the Board refrain from exercising even the limited rate control contemplated by the bill.

With respect to the requirement pertaining to aircraft capacity, we recognize that some control would be advisable over minimum daily seat availability. However, rather than establishing minimum aircraft capacity requirements, we would recommend that the Board's authority be limited to controlling minimum operating frequency and controlling the minimum seats offered per day by the carriers.

This would leave the carrier available to decide how he wished to operate that aircraft, the size of that aircraft.

In conclusion, Mr. Chairman, we believe that there is much we can do to revitalize the air transportation system in general, and the local service carrier industry in particular. We believe we should continue to work toward the removal of regulatory obstacles, especially with regard to the local service carriers, to enable the commuter airlines to provide service on a replacement basis where possible. We also recognize the need to grapple further with the problem of intermodal choice, especially for low density, short-haul transportation. The work we are currently doing in this area should enable us to provide constructive comment on the interesting experiment proposed in the CAB draft bill, and we hope it eventually will enable us to develop suitable criteria for modal choice on a systemwide basis.

Mr. Chairman, that completes my prepared statement. Now I will be happy to answer any questions the committee may have.

Senator CANNON. Thank you.

Your statement raises the inference that local air service in the Department's view might not be worthy of subsidy. You have referred to criteria which would be considered in determining what transportation service, if any, are deserving of subsidy. In the case of air service what criteria would you suggest or request this committee and the CAB observe?

Mr. BINDER. I wish I were able to respond to your question, Mr. Chairman, by furnishing a statement of such criteria. In truth, we have begun to try to develop these as we learned of the Board's proposed experiment and as we then reacted to the Board's staff study we received a week ago. I think my testimony reflects the thought we would prefer service be provided without subsidy to the extent the market would permit that and therefore heavily favor proposals to allow the market to operate more freely. This therefore applies to the proposal that the present local service subsidy structure be reexamined to allow market forces to operate more freely.

My testimony is not intended to suggest that in an appropriate case where the market will not work so as to provide air service and air service is service which is needed because you do not have adequate alternative modal service that it is not appropriate to consider a direct subsidy to make that service available. That is an option we consider altogether open and appropriate in some cases.

Senator CANNON. I hope your statement there that you do not favor subsidy service when it is not necessary does not raise the implication that either this committee or the Board does favor subsidy where it is not necessary. I think what we are trying to do is preserve some sort of service to communities; and certainly if the subsidy is not necessary, we do not want to be required to furnish it.

Mr. BINDER. I quite agree. I did not mean to raise that implication. It was more directed toward the purpose of the Board's experiment which is that where subsidy is being paid and it appears that it could be decreased and better service be obtained, that that definitely was in line with our wishes.

Senator CANNON. Does your statement infer if the communities served by one form of public transportation or another, whether or not subsidized, we should be satisfied with either one or two modes of public transportation?

Mr. BINDER. Well, to the extent that—it is hard to speak of the communities' satisfaction, Mr. Chairman. I think my testimony is intended to say that if you have, in some cases, a wholly adequate mode of transportation operating on a subsidized or nonsubsidized basis, that is other than air transportation, that we would look very carefully then at the public desirability of furnishing, at Government expense, air transportation that would not otherwise operate. We think that the call on the Public Treasury for financial support for transportation is strongest in that case where they do not have any other adequate transportation mode available to them, under any circumstances.

Senator CANNON. Your statement says it would be in the best interests of the flying and tax paying public to revise regulations which inhibit commuter carriers in providing transportation service in many markets. What regulations are you referring to?

Mr. BINDER. Let me check for a moment, Mr. Chairman.

I may have to supplement my testimony with a further identification of the particular restrictions, Mr. Chairman; but the point which comes immediately to mind is the competitive relationship which created in some of these markets where under the present subsidized system, the operation receives heavy subsidized support of the very large capacity aircraft. The view therefore from the standpoint of another carrier with another kind of aircraft seeking to serve the same market, that is competitive inhibition which is felt very strongly in some cases.

Senator CANNON. Of course the commuter carriers can go in and operate in these markets now if they desire to do so?

Mr. BINDER. Yes.

Senator CANNON. In light of your previous statement of a moment ago, how do you rationalize the department's support of Amtrak then, subsidized service, where you have certainly had good air service between practically all of the points serviced by Amtrak?

Mr. BINDER. I would look upon Amtrak, Mr. Chairman, as another experiment.

Without being facetious, the trend of passenger train transportation in this country right up until the time the Amtrak proposal was adopted by the Congress was down, and certainly we look upon the Amtrak program as a way of seeing and establishing whether or not there is a demand for this type of surface transportation in this country and if so, what that demand looks like in various markets. That is the basic justification for the Amtrak program and I look upon it as an experiment, as I indicated.

Senator CANNON. In your statement, you note that probably the best thing that can be done for commuter carriers is to facilitate the transfer of local unprofitable service carrier routes to them. As you notice many of the locals have tried this approach but have been thwarted by labor unions, community reasons, and the board. How would you suggest a transfer of these routes to the commuters?

Mr. BINDER. I do not carry with me any solution to—that the labor union, difficulty is that may have prevented this in some case, Mr. Chairman. As far as the community reasons is concerned, I think this may be a problem of public relations as well as lessons that some communities may be able to tell about the benefits they have received from this type of substitute service and that the government and the industry can spread this message. I think that would be a positive step forward. As far as the Board's own procedures are concerned, this lies within the Board, obviously, and the Board would be subject to such mandate as this committee and the Congress might seek to lay upon them. I think certainly from the Chairman's testimony this morning, the Board appears to be very sympathetic and very understanding about this difficulty and very anxious to make commuter air carrier service available to the greatest extent, possible.

Senator CANNON. Does the Board foresee remedial legislation would be helpful in this area?

Mr. BINDER. I cannot speak for Chairman Brown.

Senator CANNON. I mean the Department of Transportation.

Mr. BINDER. No. I do not understand that it is necessary.

Senator CANNON. Your statement also notes that there may be justification for route protection in developing markets where there is insufficient traffic for more than one carrier. Now, absent passage of S. 796, or similar legislation, how could this route protection be achieved under the current regulatory framework?

Mr. BINDER. I am not sure that I have a ready answer to that question, Mr. Chairman, but I would be happy to furnish it for the record.

Senator CANNON. I wish you would. It seems to me that you say that you see no necessity for this bill, and yet, as I understand it, I do not believe there is any way that route protection could actually be given unless we have this or similar legislation. So I wish you would supply, for the record, your position on this point.

Now speaking of the CAB's proposed experiment of contracts you say you want your department to provide the Board with valuable guidance as to how the proposed experiment could be most usefully employed on a multimodal context. What do you mean by a multimodal context?

Mr. BINDER. This is the reference to the criteria which the Board should consider when thinking about their experiment concerning a community that has transportation service of different modes available to it. It would be—this may be a contribution we can make to the Board's consideration of these problems and it would be something we would be happy to develop and make available to them.

Senator CANNON. Thank you very much.

Mr. BINDER. It is a pleasure.

Senator CANNON. There is a quorum in process so the committee will stand in recess until 2 o'clock.

AFTERNOON SESSION

Senator CANNON. Let's come to order. The first witness this afternoon will be Mr. Thomas S. Miles, president of National Air Transportation Conference.

STATEMENT OF THOMAS S. MILES, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL AIR TRANSPORTATION CONFERENCES, INC., AND EXECUTIVE SECRETARY, COMMUTER AIR CARRIER CONFERENCE; ACCOMPANIED BY JANET ST. MARK, EXECUTIVE SECRETARY OF THE CARGO AND MAIL CONFERENCE; AND A. MARTIN MACY, VICE PRESIDENT OF OPERATIONS

Mr. MILES. Senator Cannon, on my right we have Janet St. Mark, the executive secretary of the Cargo and Mail Conference; and on my left Mr. A. Martin Macy, vice president of operations.

We, of course, are delighted that you are holding these hearings and I will submit my statement for the record and I would like to take a few moments of your time in summarizing this particular testimony.

[Slide.]

Here we have a route map of the local service carriers in 1949. At that time they were known as certificated limited-period carriers. Their network was local service in nature.

[Slide.]

Here is the local service carriers' network as of 1971. As you can see, they have changed their character. They are no longer primarily local in nature but they are in the long-haul high-density markets.

This particular network from the period 1954 through 1971 required a subsidy payment of over \$829 million which is really nothing in comparison with what we are paying today for the Amtrak service, et cetera.

[Slide.]

Here is a map of the commuter air carriers as they were in 1970. As you can see, they are locally oriented in response to the local needs of the community.

[Slide.]

For a quick rundown of the industry, there are 100 commuter airlines in scheduled passenger service, 109 in scheduled cargo service. There are 43 commuter air carriers with airmail contracts and those contracts, 147, are valued at \$13.2 million.

[Slide.]

There are 1,015 points receiving scheduled passenger airline service; 802 are serviced by the certificated carriers; 448 are serviced by both classes of carriers, and 213 are serviced exclusively by the commuter airlines.

[Slide.]

In comparing the passengers carried by class of carrier, the commuters carried 4.3 million in 1970; the local service carriers carried 26.4 million. The commuters' share was 14.

[Slide.]

With respect to passenger revenue by class of carrier, the commuter airlines was 87.5 million while the local service carriers was 627.6. The commuter airlines' share was 12.2.

[Slide.]

With respect to flight equipment investment by class of carrier, the commuter airlines in 1970 had \$102.3 million, while the local service carriers had \$516 million. The commuter airlines' share was 16.5.

Now, to give you a quick rundown on a profile of the commuter airline, we conducted a survey in March of this year. This will give you a fairly good idea as to who they are and what they look like. We had 44 responses and we projected this to cover 100 percent.

[Slide.]

For years in business, 77 carriers have been in business more than 3 years. [Slide.] Fifty serve more than six airports.

[Slide.]

Seventy-five do not operate any single-engine aircraft, 13 operate one and six operate two.

In this regard, we note that a few of the local service carriers that are operating today started out by operating single-engine three-passenger Beechcraft Bonanzas.

[Slide.]

With respect to multiengine aircraft, 20 commuters, operate one, 52 operate three to seven, and 11 operate more than seven.

[Slide.]

For air transport revenues in 1971, 37 commuters had revenues under \$200,000, 38 had \$200,000 to a million; and 25 had over \$1 million.

[Slide.]

With respect to the average passenger trip length, 74 carriers operate under 149 miles, with 33 under 99 miles.

[Slide.]

With respect to average fare, it is under \$25 for 81 carriers; 15 have an average fare of over \$30.

[Slide.]

On average fare per-seat-mile, it is under 15 cents for 65 carriers, with 19 carriers in the 16- to 25-cent price range. The public supports such fares to travel all the way by air.

[Slide.]

With respect to the principal source of capital for financing commuter airlines, we find that the primary source is private capital. Thirty-one have loans, and a few finance their operations through public stock sale.

[Slide.]

With respect to the number of full-time employees, 61 carriers have less than 40 full-time employees, eight have over 100.

[Slide.]

With respect to the payroll, 31 carriers had a payroll under \$100,000, 63 under \$300,000, and 10 had a payroll over \$500,000.

[Slide.]

To the question, did your airline operate at a profit in 1971, 52 responded "Yes."

[Slide.]

With respect to taxes paid in 1971, out of the 44 carriers participating in the survey, 31 paid taxes with 10 paying over \$50,000.

[Slide.]

In the survey we asked the question, "If the CAB permitted commuter airlines to operate 30-passenger aircraft with a maximum payload of 7,500 pounds, would your company plan to operate such aircraft in scheduled services"? Twelve responded definitely (27.9 percent); 14 responded probably (32.5 percent).

That ends the visual presentation.

We have here a map of the city of Chicago. The CAB made a study of 21 major hub airports and points within 200 miles of such airports for the period ending June 30, 1970.

As you can see from this map, over 2,600,000 passengers travel within the 200-mile radius of Chicago. And the commuter airlines' share of that was 6.5 percent. By contrast, in the Los Angeles market, where the carriage was 1,063,000, the commuter airlines carried 34.7 percent within the 200-mile radius.

We talk about typical examples of conditions prompting and supporting scheduled services by commuter airlines. These examples were given to show how commuter airlines complement and supplement the services of certificated carriers. We will not review these examples but I would like to show an example of the service to Chicago from Springfield, Ill.

This is a sad case. In 1966 a commuter airline pioneered service from Springfield, Ill., to downtown Chicago. The service was through Miegs Field. They operated in that market for over 5 years.

Now, on March 15 of this year, Ozark Air Lines inaugurated service, approximately 10 flights a day, with the same type of equipment used by the commuter airline. The market is valued at approximately \$1 million with \$100,000 profit.

Now, with respect to how frequency of service stimulates markets. Here we have a situation where the certificated carrier in 1964 was offering 1,063 departures with emplanements of 7,457. The commuter airline in 1970 provided 5,381 departures with 29,936 emplanements. In comparison to North Central's performance in 1964, Air Wisconsin increased emplanements in 1970 by 301 percent by increasing departures 411.

On the opposite page, we have a similar story with respect to the frequency of service and how it stimulated markets from Salisbury, Md., to Baltimore and Washington. In this particular case, Henson Aviation, operating under Allegheny's colors, increased emplanements in 1970 by 232 percent by increasing departures 59 percent.

Now the commuter airlines' initial response to the Limited Air Carrier Act of 1971, S. 796. Our conference, in response to that proposed legislation, developed the Commuter Air Carrier Act of 1971 which was introduced in the House as H.R. 11043. That particular piece of legislation has been deferred by majority action of the commuter air carrier conference in the hope that the basic objectives of the legislation could be, perhaps, accomplished by other means.

When we were promoting that particular piece of legislation, the Secretary of Transportation Volpe, proclaimed October as commuter air carrier month. That proclamation did an excellent job in describing the commuter air carrier industry and what it means to the Nation and the public.

Likewise, in promoting H.R. 11043 we went for grass roots support, we went to the people, and asked them if they would sign a petition to Congress which included this statement. "It is my pleasure to support this petition which calls for congressional action to assure scheduled air service to and from communities throughout the United States, frequent air service ranging from early morning to late arrivals and departures, scheduled air service meeting the needs of all citizens, appropriate Federal regulations, and public hearings by appropriate committees in both the Senate and the House concerning the Commuter Air Carrier Act of 1971. Purpose, to determine if it would indeed be in the national public interest to grant route protection to those part 298 air carriers desiring to operate under a commuter certificate, issued by the Civil Aeronautics Board." We have received thousands of petitions in response to that effort as illustrated in the presentation.

As I stated earlier, it was on January 3, 1972, that our member carriers, by majority action, agreed to defer further action in support of the legislation.

Other items affecting this industry, of course, were covered this morning and that is the ALPA versus CAB before the U.S. Court of Appeals. The question was asked how many points have been suspended. We indicate that 90 points—I mean 58 points were suspended. We break them down by region of the country and the markets (city pairs) involved, total 86.

It was pointed out this morning that the examiner in September of 1971 recommended that commuters be permitted to operate 30 passenger aircraft. We polled our members on this particular decision and found that 89.7 of the participating commuter airlines voted in favor of the examiner's initial decision.

It was back on January 26, that the commuter airlines requested the Department of Transportation to consider the feasibility of funding development for prototype aircraft for low density, short-haul markets following completion of CAB's part 298 investigation. That, of course, ties in very closely to your own legislation on Government guarantee of equipment loans and the commuter airlines, again by majority action, would hope that some way could be found to include commuter airlines in that particular legislation.

With reference to the commuter airlines' reaction to the joint DOT-NASA's civil aviation and research policy study in that particular study, they commented on the high subsidy payments to local service carriers. They stated as follows—"the future potential for such serv-

ice (scheduled air service to small communities) as a tool for regional development is such that current emphasis on this neglected segment of air transportation is warranted. Judicious use of subsidies to support the actions recommended above could result in the reduction or elimination of future subsidy requirements while providing impetus to the low density, short-haul sections of air transportation." Although recognizing that subsidy is a sensitive and delicate issue, some airlines feel the DOT-NASA comment is in basic accord with their suggestion that the CAB consider decertification of each marginal point that is failing, for one reason or another, to produce a sufficient level of traffic to support an adequate level of service by the incumbent local service carrier. This suggestion prompted the following questions: Would such action reduce the losses of local service carriers and thus make them less dependent on Federal subsidy? Would it lead the local service carriers to increased profitability? Would it set the stage for commuter air carriers to serve such points with little or no subsidy? Would it motivate commuter air carriers to develop the resultant markets to their true potential by providing an adequate level of services ranging from early morning to late evening departures and arrivals? Would it expand and improve airmail service to more small communities at a justifiable cost? Would it help generate new travel to destinations everywhere and thus feed connecting traffic to the certificated carriers as never before? Is it the only logical answer to the "scope" clause in ALPA contracts with local service carriers wherein the carriers are prohibited from entering into replacement service agreements with commuter air carriers even though such agreements could, and would, lead to better service for travelers and shippers, by air at far less cost to the Government and the carriers?

Those questions remain unanswered. It should be noted that in fiscal year 1970, the local service carriers emplaned 4,053,000 passengers at subsidy eligible D. & E. stations. For such service they received over \$34 million in Federal subsidy.

[In 1971, the subsidy was over \$58 million.] During the same period the commuter airlines carried approximately the same number of passengers, over 4 million, for which they did not receive a single penny of support from U.S. taxpayers through subsidy. Their sole support is through the fare box. Commuter airlines are doing an impressive job without subsidy under the American free enterprise system and could possibly replace local service carriers at many marginal points and pioneer service to many small communities with little or no financial assistance from the Federal Treasury.

Then, of course, we have comments on the local service carriers petition for amending part 298 to provide protection for themselves from commuter air carriers and likewise to protect commuter air carriers from themselves. We have made a detailed analysis of the proposed petition (p. 108) and have entered into a dialog with the local service carriers on the proposal.

At the same time, the ALPA has taken the position that the local service carriers proposal is unsound. They have filed a motion with the Board in which they have pointed out that the commuter airlines development is far beyond what the Congress envisioned when they initially gave the CAB the exemption authority.

We also made a survey of 50 States. We wanted to find out how many States are regulating the intrastate operations of commuter air carriers. We found out that 19 States are regulating the commuter airlines on an intrastate basis and furthermore 19 States require commuter airlines to do for intrastate carriage what the CAB will not permit them to do for interstate carriers. That is, file tariffs and secure approval before implementing service. This raises a question. The States apply such regulations even though a majority of traffic carried by such carriers originates in, or is destined to, another State. Are such State regulations contrary to the intent of part 298 of the CAB's economic regulations with respect to the carriage of interstate traffic?

In closing, we have a quick summary of some of the things that the commuter airlines would appreciate in order to assure their orderly growth and development. These include STOL type runways at major airports, separate approaches at major airports, the installation of towers and landing systems at small community airports, appropriate airport facilities for passengers, baggage, and cargo.

In this respect, we have found out that airport authorities, consultants, planning commissions, et cetera, have a total disregard for commuter airlines and their potential for service to the Nation and public as there appears to be no planning whatsoever to provide ramp space, gate positions, and terminal space for commuters and their passengers. We would also appreciate integration of schedules in the official airline guide. Today commuter airlines are being discriminated against. Our schedules are not blended with the schedules of the certificated carriers.

We also would like joint fares with the major airlines. We would like to be able to bring air transportation to many small communities at the same fare levels as those communities served by the certificated carriers. We would also appreciate representation at military posts and camps through participation in interline ticketing and baggage agreements, or through actual participation in the scheduled airline ticket offices. This is something that the scheduled certificated carriers are in a position to give us.

Lastly, permission to market passenger and air cargo service through publications owned and operated by the major airlines. It can be stated categorically that if it were not for the official airline guide, wherein our members are permitted to publish schedules and fares, we would be dead. We cannot, on the other hand, publish our tariffs in the publications of the airlines. Many people, shippers by air, who use these documents are totally unaware of the availability of cargo services to many communities throughout the Nation.

That concludes my summary with the exception that one added comment, in response to the CAB proposal to test competitive bidding

method. Today was the first time that the details of this plan were exposed. I am quite sure that our member carriers would like to get together to discuss it and take a position.

That closes my testimony, sir.

Senator CANNON. Thank you very much for a very fine statement. After you have had a chance to review the proposal in your organization, you might submit a letter for the record.

Mr. MILES. I will do that.

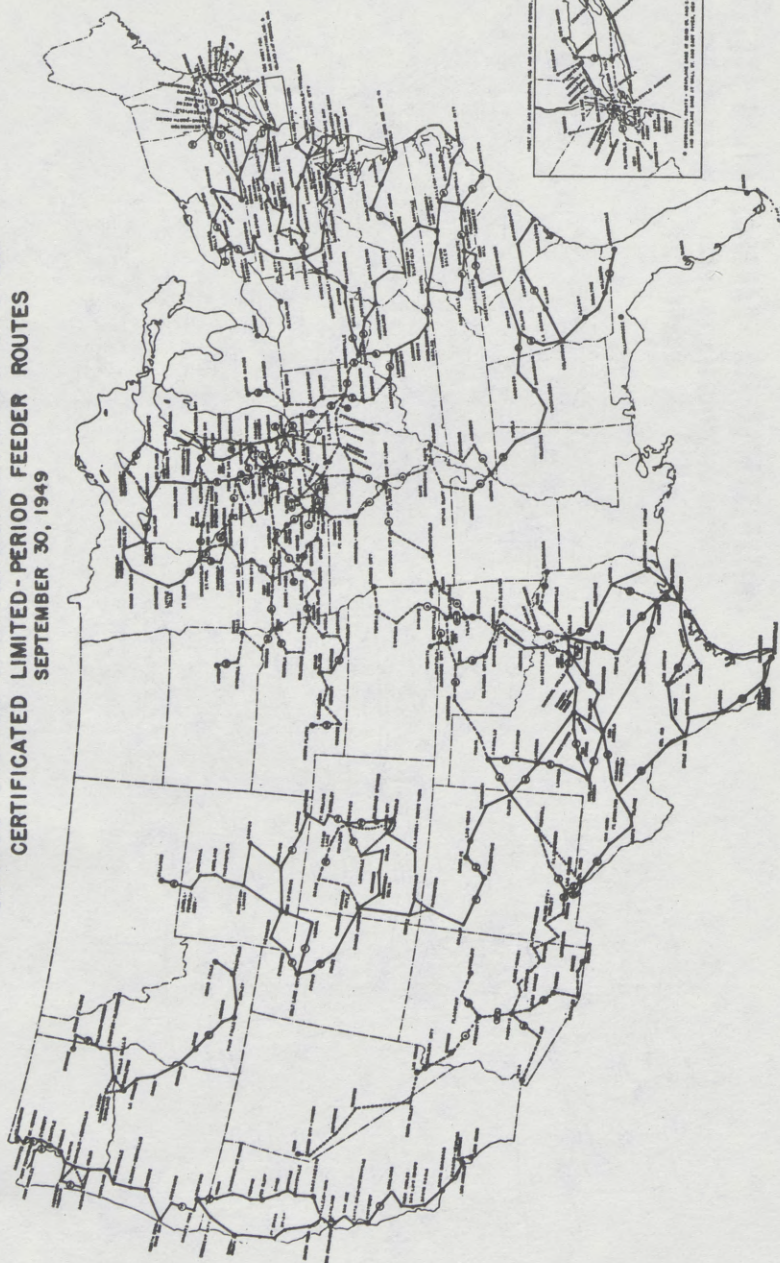
(The statement follows:)

PREPARED STATEMENT OF THOMAS S. MILES, PRESIDENT & CHIEF EXECUTIVE OFFICER,
NATIONAL AIR TRANSPORTATION CONFERENCES, INC., AND EXECUTIVE SECRETARY,
COMMUTER AIR CARRIER CONFERENCE

Economics of scheduled air service has motivated local service carriers to change character—to shift their interest, from short-haul markets as “feeder airlines” to long-haul intercity markets in competition with trunk airlines.

Original concept behind local air service (late 1940's) was to give small communities access to Nation's air transport system through connecting service with major airlines at hub airports—an important job now being taken over by commuter airlines.

UNITED STATES AIR TRANSPORTATION SYSTEM
 CERTIFICATED LIMITED-PERIOD FEEDER ROUTES
 SEPTEMBER 30, 1949

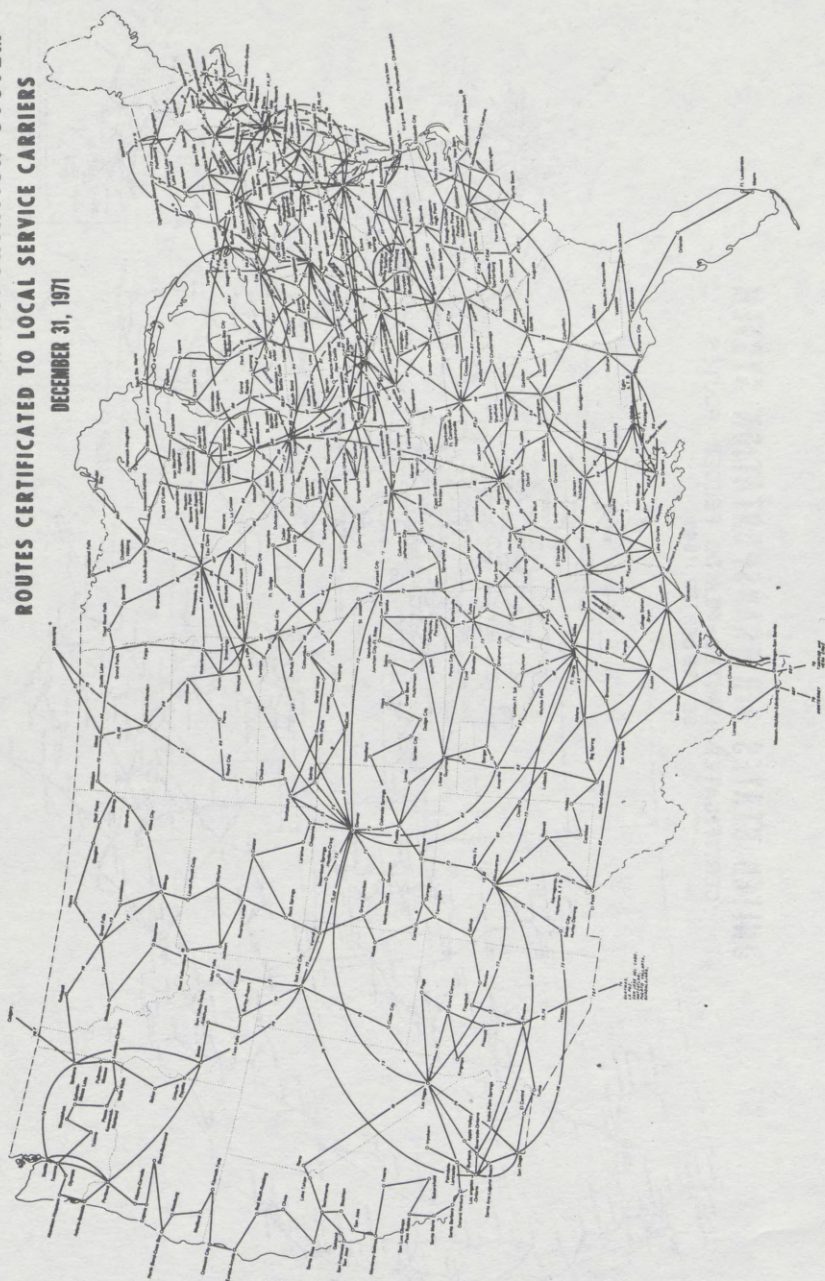


► A SUBSIDIZED SYSTEM - \$829 MILLION FY '54 THRU '71 ◀

UNITED STATES AIR TRANSPORTATION SYSTEM

ROUTES CERTIFICATED TO LOCAL SERVICE CARRIERS

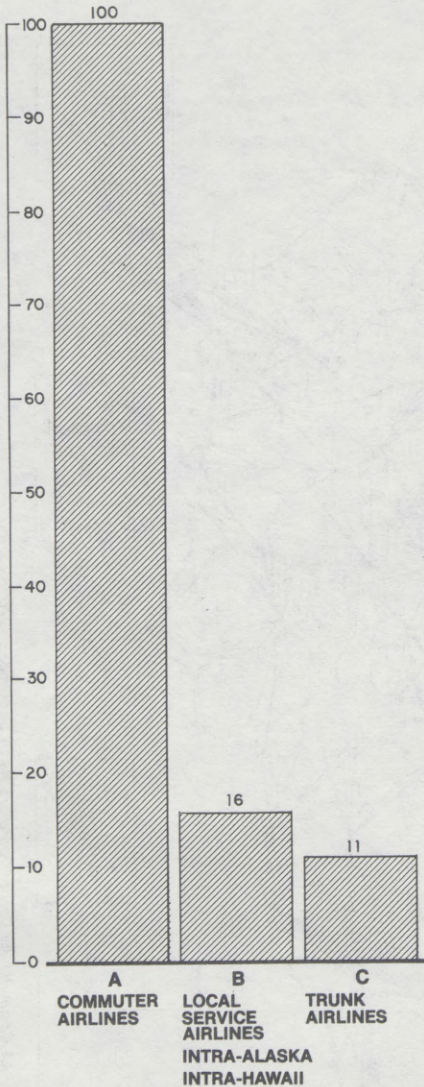
DECEMBER 31, 1971



U. S. AIR SYSTEM

(Scheduled Passenger Service)

MARCH 1972



Commuter airlines bring air transportation to the people—feed traffic to the major airlines without Federal subsidy—another example of what the American “free enterprise” system can do!

CAB's “Game Plan”

for developing and promoting the nation's air transport system (domestic)

C for serving LONG HAUL and HIGH DENSITY SHORT HAUL MARKETS

CAB issues certificates of public convenience and necessity to “TRUNK AIRLINES.” Highly regulated. Highly competitive.

• American • Braniff • Continental • Delta • Eastern • National • Northeast • Northwest • Trans World • United • Western

B for moving traffic on a regional basis, LONG HAUL and SHORT HAUL

CAB issues certificates of public convenience and necessity to “LOCAL SERVICE, INTRA-ALASKA and INTRA-HAWAII CARRIERS.” Highly regulated. Highly subsidized. Semi-competitive.

• Alaska • Allegheny • Aloha • Frontier • Hawaiian • Hughes Air West • Kodiak • Mohawk • North Central • Ozark • Piedmont • Reeve Aleutian • Southern • Texas International • Western Alaska • Wien

A where the population and/or business activity of an area is not sufficient to support adequate and timely service by the certificated carriers

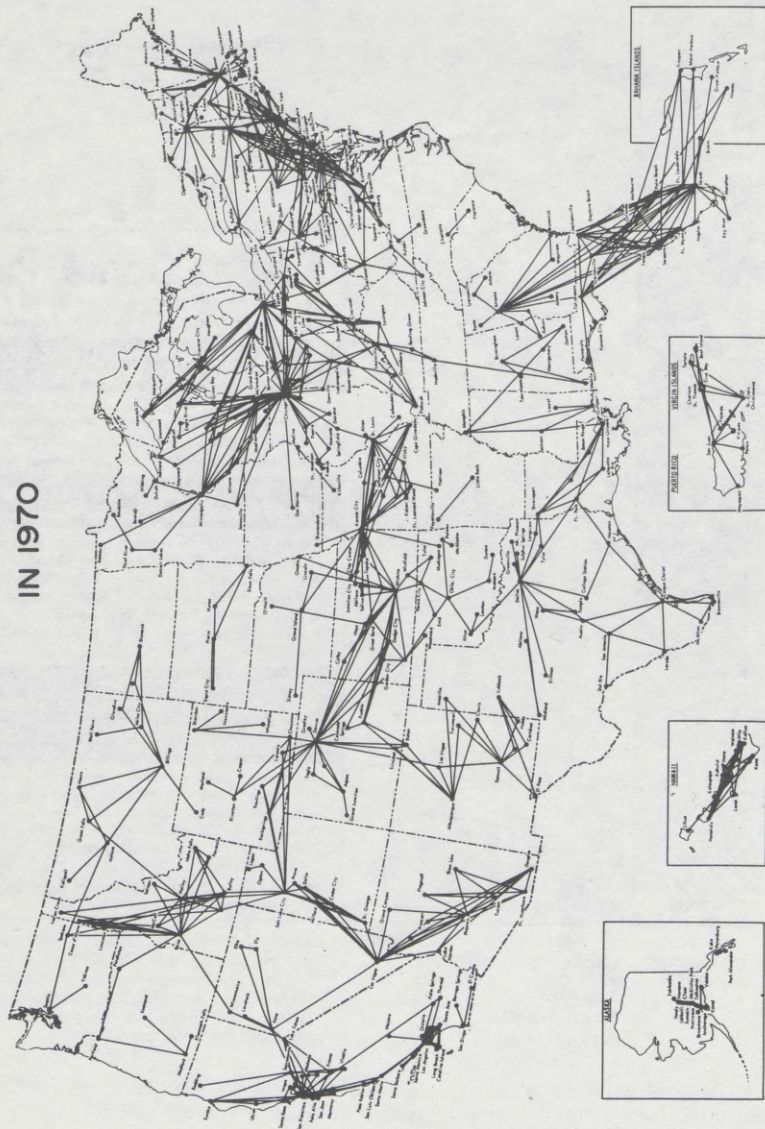
CAB through exemption authority presents the free entry-free exit right to COMMUTER AIR CARRIERS—the pioneers in providing safe, reliable, economical and frequent air transportation (passenger, cargo and mail) with small aircraft* in response to public and community demands. Semi-regulated. Semi-competitive.

For complete information on schedules, fares, rates and other information, rely on the Official Airline Guide.

*COMMUTER AIRLINES are restricted to aircraft with a maximum gross take off weight of 12,500 pounds (usually no more than nineteen passengers) unless larger aircraft are authorized by the CAB to satisfy the needs of a specific market(s). As of November 23, 1971, nine (9) commuter airlines held exemptions to operate large aircraft in scheduled service.

► NATIONWIDE SERVICE WITHOUT FEDERAL SUBSIDY ◀

"ROUTES" SERVED BY COMMUTER AIR CARRIERS IN 1970



Source: FAA Commuter Air Carrier Operators As Of September, 1970

Number of
Carriers:

OFFICIAL AIRLINE GUIDE SHOWS

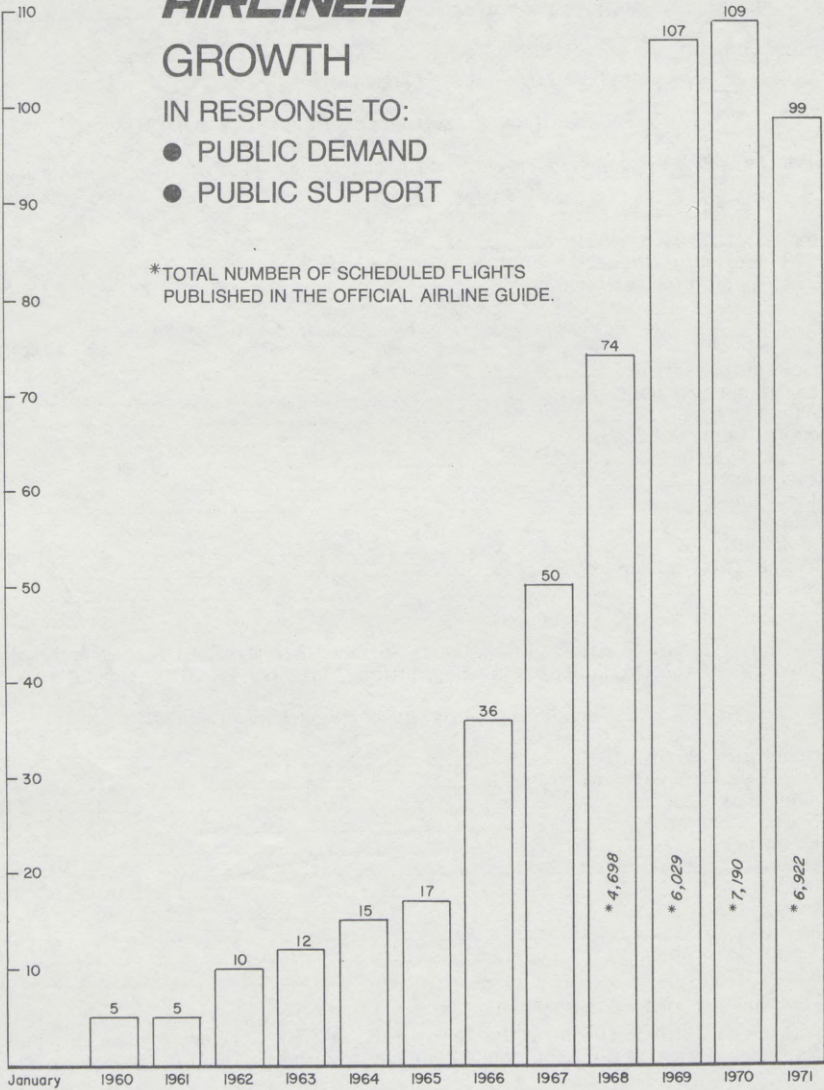
COMMUTER AIRLINES

GROWTH

IN RESPONSE TO:

- PUBLIC DEMAND
- PUBLIC SUPPORT

*TOTAL NUMBER OF SCHEDULED FLIGHTS
PUBLISHED IN THE OFFICIAL AIRLINE GUIDE.



Commuter airlines in service April 1972

Scheduled passenger service-----	100
Scheduled aircargo service-----	109
As all cargo carrier-----	9
In conjunction with passenger service-----	100
Airmail contracts with USPS-----	¹ 43

¹ 43 carriers hold 147 contracts valued at \$13.2 million.

1,015 POINTS RECEIVE SCHEDULED PASSENGER AIR SERVICE

Points in 50 States, Caribbean, and adjacent areas served by U.S. carriers in 1971

<i>Points and served by</i>	<i>Percent of total</i>
802 Certificated carriers-----	79.0
478 Certificated carriers and commuter airlines-----	47.1
213 Commuter airlines only-----	21.0

Passengers carried by class of carrier, 1970

	<i>In millions</i>
Commuter Airlines ¹ -----	4.3
Local service carriers-----	26.4
Allegheny-----	5.9
North Central-----	3.7
Hughes Airwest-----	3.1
Piedmont-----	2.7
Frontier-----	2.5
Ozark-----	2.4
Mohawk-----	2.3
Texas International-----	2.2
Southern-----	1.6

¹ Commuter Airlines' share, 14.0%.

Source: Joint Petition of the Local Services Air Carriers for Amendment of Part 298 of the CAB's Economic Regulations, January 14, 1972, Appendix E.

Passenger revenues by class of carrier, 1970

	<i>In millions</i>
Commuter Airlines ¹ -----	\$87.5
Local service carriers-----	627.6
Allegheny-----	142.0
North Central-----	76.9
Frontier-----	75.4
Hughes Airwest-----	70.2
Piedmont-----	62.6
Ozark-----	56.3
Mohawk-----	55.2
Texas International-----	51.9
Southern-----	37.1

¹ Commuter Airlines' share, 12.2%.

Source: Joint Petition of the Local Services Air Carriers for Amendment of Part 298 of the CAB's Economic Regulations, January 14, 1972, Appendix E.

Flight equipment investment by class of carrier 1970

	<i>In millions</i>
Commuter Airlines ¹ -----	\$102.3
Local service carriers-----	516.3
Allegheny-----	99.5
Piedmont-----	93.7
North Central-----	63.7
Mohawk-----	63.0
Ozark-----	56.5

In millions

Frontier	\$55.1
Texas Int'l	37.7
Hughes Airwest	27.4
Southern	19.5

¹ Commuter Airlines' share, 16.5%.

Source: Joint Petition of the Local Service Air Carriers for Amendment of Part 298 of the CAB's Economics Regulations, January 14, 1972, Appendix E.

TYPICAL AIRCRAFT IN COMMUTER AIRLINE SERVICE

BEECH MODEL 99

Seat Capacity	17
Average Cruise Speed (12,000 ft.)	284 mph
Takeoff Distance	2425 ft.
Landing Distance	2680 ft.



BEECH QUEEN AIR (B80)

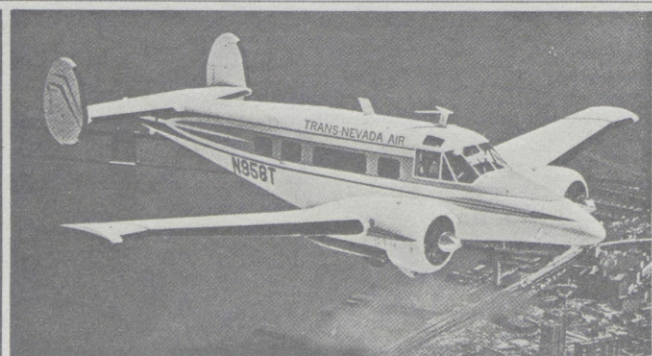
Seat Capacity	11
Average Cruise Speed (10,000 ft.)	214 mph
Takeoff Distance	1800 ft.
Landing Distance	2311 ft.



BEECH 18 (Super H)

Seat Capacity*	11
Average Cruise Speed (10,000 feet)	202 mph
Takeoff Distance*	2072 ft.
Landing Distance*	1850 ft.

* Capacity in all cases includes crew, while figures for takeoff and landing distances include a 50-ft. obstacle.



**BRITTEN-NORMAN
ISLANDER BN-2A**

Seat Capacity 10
 Average Cruise Speed 162 mph
 (6000 ft.)
 Takeoff Distance 1020 ft.
 Landing Distance 940 ft.

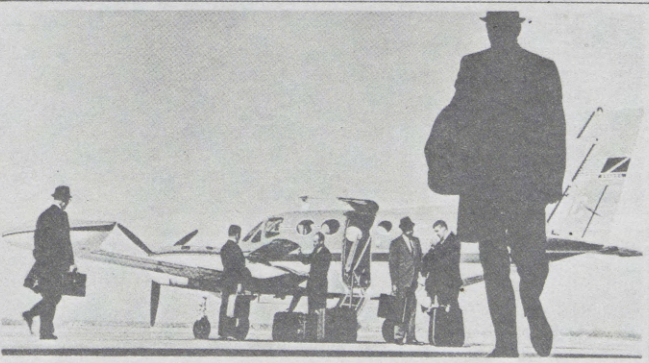

**CESSNA SUPER
SKYMASTER 337**

Seat Capacity 6
 Average Cruise Speed 191 mph
 Takeoff Distance 1565 ft.
 Landing Distance 1650 ft.


**CESSNA
421 EXECUTIVE
COMMUTER***

Seat Capacity 10
 Average Cruise Speed 250 mph
 Takeoff Distance NA
 Landing Distance NA

*Model available May 1970.



**DE HAVILLAND
TWIN OTTER DHC-6
(Series 300)**

Seat Capacity 22

Average Cruise Speed 202 mph

Takeoff Distance (STOL) 1320 ft.

Landing Distance (STOL) 1050 ft.



**HAWKER
SIDDELEY HERON
(Prinair conversion)**

Seat Capacity 22

Average Cruise Speed 195 mph

Takeoff Distance 2850 ft.

Landing Distance 3400 ft.



**PIPER NAVAJO
PA-31**

Seat Capacity 8

Average Cruise Speed 207 mph
(10,000 ft.)

Takeoff Distance 2120 ft.

Landing Distance 2150 ft.



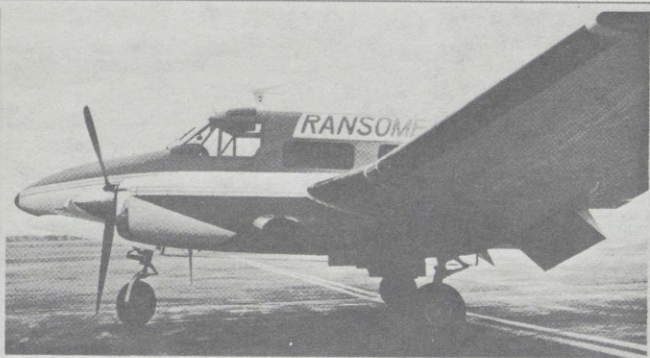
**VOLPAR
TURBOLINER
(Beech 18 conversion)**

Seat Capacity 17

Average Cruise Speed 250 mph
(6000 ft.)

Takeoff Distance 2300 ft.

Landing Distance 1900 ft.



**SAUNDERS ST-27*
(Canadian conversion
of Heron)**

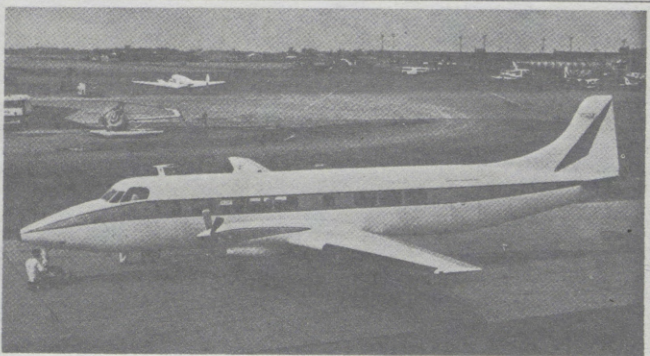
Seat Capacity 26

Average Cruise Speed 250 mph

Takeoff Distance 1600 ft.

Landing Distance 2000 ft.

* In certification



**DE HAVILLAND
DHC-7***

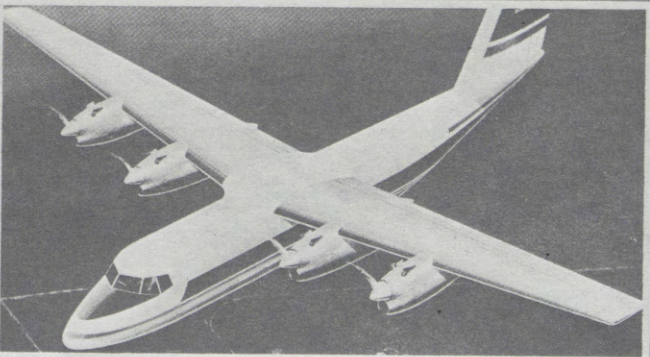
Seat Capacity 50

Average Cruise Speed 275 mph

Takeoff Distance 1550 ft.

Landing Distance 1160 ft.

* Proposal



[From the Pittsburgh Post-Gazette, Nov. 12, 1971]

THOUGHTS ON A HIGH PLANE

(By Andrew Bernhard)

Every time I pick up a newspaper or magazine, it seems to me, I'm assured by the advertisements for airlines that flying is fun. Well, I decided last week that what those ads mean by fun in flying is making flying less like flying and more like staying on the ground.

Flying these days is a big bore; no wonder the airline people are trying to detract us with movies, lounges and what-not to take our minds off the fact that we are cooped up in a big, long tube so high in those friendly skies that we can't see the earth. When weather permits we can see a big, flat, brown map far below us, so far below we can't distinguish a mountain from a valley and cities are little more than smudges.

Nevertheless, flying can be fun, I found last week. But to find fun in it you must forsake the earthy pleasure with which the big birds try to keep you interested and to take to one of the small feeder lines. I had occasion to go up to Appleton, Wis., 30 miles south of Green Bay, where the main reason for civic pride is a football team.

From Pittsburgh to Chicago I went by one of those continent spanning big planes that whisk you there in an hour. You can stand anything for an hour, even that much time in a dentist's chair.

To get to my destination I took a line that hops in and out of small cities in Indiana and Wisconsin, linked with Chicago and Minneapolis, Minn. The line, Air Wisconsin, uses small planes. No stewardesses, no booze or "snacks," and no movies. No "facilities" so what you'd do if caught short I've no idea.

The flights I made were in De Havilland, two-motor roto jets. I'm no experienced judge of heights but if we ever attained an altitude of more than 5,000 feet I'd be surprised. But you could look out of the window and see something. No business of sitting in the third seat from the window or, if you are near the window, of seeing nothing but clouds. (How long can you look at the upper side of a cloud?).

We flew over the lush, still verdant countryside of southern Wisconsin, not too high to have cattle disappear from view in their pastures, automobiles from the roads.

I admit you couldn't distinguish a Cadillac from a Pinto on the four-lane road beneath but you certainly could tell a Holstein cow from a Jersey and pick out every building around a farmhouse, trace fence lines to get a pretty good idea of the size of the farm required to fill a silo, sometimes four silos.

Arriving at your destination there was no nonsense about walking far across a windy airport or trailing a bag-carrying porter through endless corridors. The DH dropped down on the landing strip, made a bit of a run and stopped at the door of the small airport building, not 15 yards from where you stepped out of the plane.

The little plane was faster than those we used in the pre-war days of aviation but otherwise flying in it was much the same. It was fun. No movies, booze or pretty stewardesses. No boredom, but fun.

COMMUTER AIRLINES PROFILE SURVEY, MARCH 1972

BASED ON 44 RESPONDENTS (SOME QUESTIONS WERE NOT ANSWERED BY ALL CARRIERS)

YEARS IN BUSINESS

Years	Commuter airlines	Percent
More than 10.....	2	5.1
6 to 10.....	12	30.8
3 to 5.....	16	41.0
1 to 2.....	6	15.4
Less than 1.....	3	7.7

Source: CACC survey, March 1972.

AIRPORTS SERVED

Airports	Commuter airlines	Percent
More than 10.....	3	6.8
6 to 9.....	19	43.2
3 to 5.....	16	36.4
2 (1 city-pair).....	6	13.6

Source: CACC Survey, March 1972.

CITY-PAIRS SERVED

City-pairs	Commuter airlines	Percent
More than 15.....	6	14.3
10 to 15.....	5	11.9
6 to 9.....	9	21.4
3 to 5.....	13	31.0
2.....	3	7.1
1.....	6	14.3

Source: CACC Survey, March 1972.

SINGLE ENGINE AIRCRAFT

Aircraft	Commuter airlines	Percent
None.....	33	75.0
1.....	6	13.6
2.....	3	6.8
3.....	0	0
4.....	1	2.3
5.....	1	2.3

Source: CACC Survey, March 1972.

MULTIENGINE AIRCRAFT

Aircraft	Commuter airlines	Percent
None.....	0	0
1.....	9	20.5
2.....	7	15.9
3.....	7	15.9
4.....	10	22.7
5 to 7.....	6	13.6
8 or more.....	5	11.4

Source: CACC Survey, March 1972.

1971 PASSENGER REVENUE

Revenue	Commuter airlines	Percent
Under \$100,000.....	6	16.3
\$100,000 to \$200,000.....	7	18.9
\$201,000 to \$300,000.....	3	8.1
\$301,000 to \$500,000.....	7	18.9
\$501,000 to \$800,000.....	4	10.8
\$801,000 to \$1,000,000.....	3	8.1
Over \$1,000,000.....	7	18.9

Source: CACC Survey, March 1972.

1971 CARGO REVENUE

Revenue	Commuter airlines	Percent
Under \$10,000.....	12	33.3
\$10,000 to \$20,000.....	8	22.2
\$21,000 to \$30,000.....	3	8.4
\$31,000 to \$40,000.....	3	8.4
\$41,000 to \$100,000.....	4	11.1
Over \$100,000.....	6	16.6

Source: CACC Survey, March 1972.

1971 MAIL REVENUE

Revenue	Commuter airlines	Percent
Under \$25,000.....	4	40.0
\$26,000 to \$50,000.....	1	10.0
\$51,000 to \$75,000.....	3	30.0
\$76,000 to \$100,000.....	1	10.0
Over \$100,000.....	1	10.0

Source: CACC Survey, March 1972.

1971 AIR TRANSPORT REVENUES

Revenue	Commuter airlines	Percent
Less than \$100,000.....	4	10.0
\$100,000 to \$200,000.....	11	27.5
\$201,000 to \$300,000.....	2	5.0
\$301,000 to \$500,000.....	7	17.5
\$501,000 to \$800,000.....	3	7.5
\$801,000 to \$1,000,000.....	3	7.5
Over \$1,000,000.....	10	25.0

Source: CACC Survey, March 1972.

AVERAGE PASSENGER TRIP LENGTH

Trip length (miles)	Commuter airlines	Percent
0 to 49.....	2	5.1
50 to 99.....	11	28.2
100 to 149.....	16	41.0
150 to 200.....	6	15.4
Over 200.....	4	10.3

Source: CACC Survey, March 1972.

AVERAGE FARE

Fare	Commuter airlines	Percent
Under \$12.....	2	5.1
\$12 to \$15.....	7	17.9
\$16 to \$20.....	11	28.2
\$21 to \$25.....	12	30.8
\$26 to \$30.....	1	2.6
\$30 to \$35.....	5	12.8
Over \$35.....	1	2.6

Source: CACC Survey, March 1972.

AVERAGE FARE PER SEAT MILE

Fare (cents)	Commuter airlines	Percent
Under 10	6	19.4
10 to 15	14	45.2
16 to 20	4	12.9
21 to 25	5	16.1
Over 25	2	6.4

Source: CACC Survey, March 1972.

PRINCIPAL SOURCE OF CAPITAL FOR FINANCING COMMUTER AIRLINES

Sources	Commuter airlines	Percent
Private capital	30	58.9
Public stock sale	4	7.8
Loans	16	31.4
Other	1	1.9

Source: CACC Survey, March 1972.

NUMBER OF FULL-TIME EMPLOYEES

Employees	Commuter airlines	Percent
Under 10	10	22.7
10 to 20	11	25.0
21 to 40	6	13.6
41 to 60	9	20.5
61 to 80	3	6.8
81 to 100	2	4.6
Over 100	3	6.8

Source: CACC Survey, March 1972.

1971 PAYROLL

Payroll	Commuter airlines	Percent
Under \$100,000	12	31.6
\$100,000 to \$200,000	9	23.7
\$201,000 to \$300,000	3	7.9
\$301,000 to \$400,000	7	18.4
\$401,000 to \$500,000	3	7.9
Over \$500,000	4	10.5

Source: CACC survey, March 1972.

EXTENT TO WHICH COMMUTER AIRLINES RECEIVE FINANCIAL ASSISTANCE

Type	Yes	No
Guarantee from certificated carrier under suspension/replacement agreement	5	39
Contract with corporation covering purchase of minimum number of seats per period	4	40
Contract with community(s)	1	42
Reduced landing fees	4	39
Reduced terminal costs	7	36
Co-op advertising and promotion with major airlines	11	32
Contract with certificated carrier covering any of following: Reservations, ticketing, airport services, revenue accounting	13	31
Federal subsidy		0

Source: CACC Survey, March 1972.

DID YOUR AIRLINE OPERATE AT A PROFIT IN 1971?

	Number	Percent
Yes.....	23	52.3
No.....	21	47.7

Source: CACC Survey, March 1972.

TAXES PAID IN 1971

Taxes (Federal, State, and local)	Commuter airlines	Percent
Under \$10,000.....	8	25.8
\$10,000 to \$15,000.....	7	22.6
\$16,000 to \$30,000.....	2	6.5
\$31,000 to \$50,000.....	4	12.9
Over \$50,000.....	10	32.2

Source: CACC Survey, March 1972.

IF CAB PERMITTED COMMUTER AIRLINES TO OPERATE 30-PASSENGER AIRCRAFT WITH MAXIMUM PAYLOAD OF 7,500 POUNDS, WOULD YOUR COMPANY PLAN TO OPERATE SUCH AIRCRAFT IN SCHEDULED SERVICES?

Answer	Commuter airlines	Percent
Definitely.....	12	27.9
Probably.....	14	32.5
Would study.....	12	27.9
Unlikely.....	5	11.7

Source: CACC Survey, March 1972.

CAB ANALYSIS OF CERTIFICATED CARRIER AND COMMUTER AIR CARRIER SERVICE BETWEEN 21 MAJOR HUBS AND POINTS WITHIN 200 MILES FOR YEAR ENDED JUNE 30, 1970

(Source: CAB Bureau of Operating Rights, Standards Division, February 1972)

OVER 500 POINTS WITHIN 200 MILES OF 21 MAJOR HUBS RECEIVE SCHEDULED AIR SERVICE

Served by—	Points	Percent
Certificated carriers.....	360	67.7
Commuter airlines.....	172	32.3
Total.....	¹ 532	100.0

¹ Because of overlapping of 200-mile circles from hubs, number of points includes some duplications.

PASSENGERS FROM AND TO 21 MAJOR HUBS

	Total passengers	Under 200 miles	Percent under 200 miles
Certificated carriers.....	162,820,270	20,321,300	12.5
Commuter airlines.....	2,165,819	1,933,752	89.3

NUMBER OF DAILY INBOUND FLIGHTS TO 21 MAJOR HUBS

Mileage	Certificated carriers	Commuter airlines	Total	Commuters' share (percent)
0 to 49.....	101	228	329	69.3
50 to 99.....	449	314	763	41.1
100 to 149.....	704	235	939	25.0
150 to 199.....	953	156	1,109	14.1
Total.....	2,207	933	3,140	29.7

PASSENGERS CARRIED TO 21 MAJOR HUBS

Mileage	Certificated carriers	Commuter airlines	Total	Commuters' share (percent)
0 to 49.....	92,250	506,334	598,584	84.6
50 to 99.....	2,735,560	688,353	3,423,913	20.1
100 to 149.....	5,748,640	499,079	6,247,719	7.9
150 to 199.....	11,744,850	239,986	11,984,836	2.1
Total.....	20,321,300	1,933,752	22,255,052	8.7

AVERAGE DAILY O. & D. PASSENGERS FROM AND TO POINTS WITHIN 200 MILES OF 21 MAJOR HUBS

	Percent
Certificated carriers.....	91.4
Commuter airlines.....	8.6
Total.....	100.0

COMMUTER AIRLINES SHARES OF PASSENGER TRAFFIC TO AND FROM POINTS WITHIN 200 MILES OF MAJOR HUBS

Major hub:	Commuter airline shares (percent)	Major hub:	Commuter airline shares (percent)
Atlanta.....	1.1	Minneapolis.....	1.4
Boston.....	7.6	New Orleans.....	0
Chicago.....	6.5	New York/Newark.....	4.3
Cleveland.....	13.2	Philadelphia.....	12.3
Dallas.....	4.8	Pittsburgh.....	3.6
Denver.....	12.6	St. Louis.....	9.3
Detroit.....	10.5	San Francisco.....	12.7
Houston.....	20.4	Seattle.....	10.3
Kansas City.....	3.7	Washington.....	8.4
Las Vegas.....	4.2	Total.....	8.7
Los Angeles.....	34.7		
Miami.....	31.2		

POINTS WITHIN 200 MILES OF CHICAGO

Population	Served by—		Commuters' share (percent)
	Certificated carriers	Commuter airlines	
Under 5,000.....		1	100
5,000 to 9,000.....		1	100
10,000 to 19,000.....	3	4	57
20,000 to 34,000.....	3	3	50
35,000 to 44,000.....	6	9	60
45,000 to 59,000.....	3	2	40
60,000 to 100,000.....	6	4	40
Over 100,000.....	9	5	36

Points beyond 200 miles of Chicago

Served by
Commuter
Airlines

Population (thousand)

Under 5,000	1
5 to 19	2
20 to 39	5
40 to 60	1
Over 60	1

CHICAGO

POPULATION WITHIN 200 MILES

20,792,970

PASSENGERS TRAVELING FY 1970 UNDER 200 MILES

2,659,824

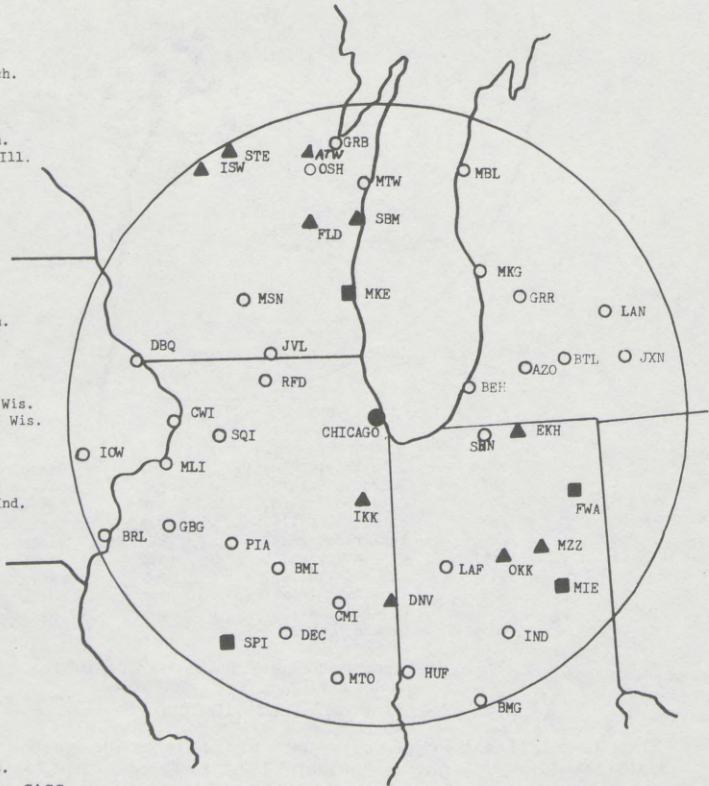
COMMUTER AIRLINES' SHARE OF TRAFFIC

6.5%

- HUB POINT (CHICAGO)
 ○ CERTIFICATED SERVICE ONLY
 ■ BOTH CERTIFICATED AND COMMUTER SERVICE
 ▲ COMMUTER SERVICE ONLY

*ATW Appleton, Wis.

AZO Kalamazoo, Mich.
 BEH Benton Harbor, Mich.
 BMG Bloomington, Ind.
 BML Bloomington, Ill.
 BRL Burlington, Ia.
 BTL Battle Creek, Mich.
 CMI Champaign/Urbana, Ill.
 CWI Clinton, Iowa
 DBQ Dubuque, Ia.
 DEC Decatur, Ill.
 DNV Danville, Ill.
 EKH Elkhart, Ind.
 FLD Fond du Lac, Wis.
 FWA Fort Wayne, Ind.
 GBG Galesburg, Ill.
 GRB Green Bay, Wis.
 GRR Grand Rapids, Mich.
 HUF Terre Haute, Ind.
 IKK Kankakee, Ill.
 IND Indianapolis, Ind.
 IOW Iowa City, Ia.
 ISW Wisconsin Rapids, Wis.
 JVL Beloit/Janesville, Wis.
 JXN Jackson, Mich.
 LAF Lafayette, Ind.
 LAN Lansing, Mich.
 MBL Manistee, Mich.
 MIE Muncie/Anderson, Ind.
 MKE Milwaukee, Wis.
 MKG Muskegon, Mich.
 MLI Moline, Ill.
 MSN Madison, Wis.
 MTO Mattoon, Ill.
 MTW Manitowoc, Wis.
 MZZ Marion, Ind.
 OKK Kokomo, Ind.
 OSH Oshkosh, Wis.
 PIA Peoria, Ill.
 RFD Rockford, Ill.
 SBM Sheboygan, Wis.
 SBN South Bend, Ind.
 SPI Springfield, Ill.
 SQI Sterling, Ill.
 STE Stevens Point, Wis.

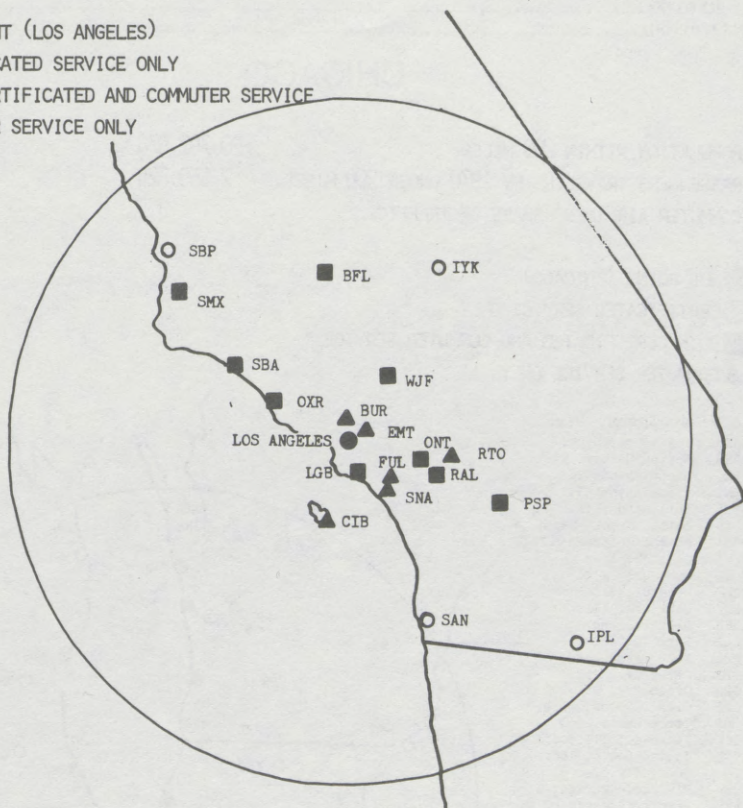


*Report corrected by CACC
 to include ATW

LOS ANGELES

POPULATION WITH 200 MILES 12,227,240
 PASSENGERS TRAVELING FY 1970 UNDER 200 MILES 1,063,270
 COMMUTER AIRLINES' SHARE OF TRAFFIC 34.7%

- HUB POINT (LOS ANGELES)
 ○ CERTIFICATED SERVICE ONLY
 ■ BOTH CERTIFICATED AND COMMUTER SERVICE
 ▲ COMMUTER SERVICE ONLY



BFL	Bakersfield, Calif.	PSP	Indio, Calif.
BUR	Burbank, Calif.	RAL	Riverside, Calif.
CIB	Catalina Island, Calif.	RTO	Colton, Calif.
EMT	El Monte, Calif.	SAN	San Diego, Calif.
FUL	Fullerton, Calif.	SBA	Santa Barbara, Calif.
IPL	El Centro, Calif.	SBP	San Luis Obispo, Calif.
IYK	Inyokern, Calif.	SMX	Santa Maria, Calif.
LGB	Long Beach, Calif.	SNA	Santa Ana, Calif.
ONT	Ontario, Calif.	WJF	Palmdale/Lancaster, Calif.
OXR	Oxnard, Calif.		

[From the Chicago Tribune, Mar. 24, 1972]

'SLOW POKE' WINS RACE TO ST. LOUIS

ST. LOUIS, MAR. 23 [Special].—Two St. Louis businessmen today "raced" from Chicago's Loop to a downtown motel here, to demonstrate two different types of air transportation. And, against all the ancient precepts, the man riding in the slower plane won.

Of course, the competition rules called for the race to begin at the Monroe Street exit from Chicago's Palmer House, and to end at the entry to Mid-Town Ramada Inn in St. Louis.

The winner was R. A. Matheis, executive of an air conditioning manufacturing firm here and chairman of the St. Louis Chamber of Commerce aviation committee. He was a passenger in a 185 mile an hour DeHavilland Twin Otter turbine-propeller plane. The loser, George G. Tomazi, vice president of the St. Louis Research Council, was aboard a 550-mile-an-hour Ozark Airlines DC-9 jet.

These seemingly contradictory facts are explainable.

Matheis took a taxi for a 10 minute ride from the Palmer House to Chicago's downtown Meigs field. There he boarded the Twin Otter.

Matheis left the hotel at 2:40 p.m. and was airborne at 2:55 p.m. The plane was over St. Louis downtown area at 4:04 p.m. Arrangements had been made to have the plane land on a 2,700 foot section of interstate highway under construction at a point less than 200 yards from the Ramada door.

At the last minute, however, workmen waved the plane off, and it flew 30 miles to St. Louis International Lambert Field. There Matheis took a Cessna Citation twin-engined executive plane which had been given Highway Department clearance for a landing on the improvised airstrip.

Matheis landed on the highway at 4:37 p.m. After a 10 minute interview and photographic session he was driven to the Ramada, fully expecting to find Tomazi there.

His rival had taken a cab at the Palmer House at the same departure time, and headed for Chicago's O'Hare airport, 15 miles to the northwest. There he waited until 3:35 p.m. for Ozark's Flight 975. The airplane departed the gate 15 minutes late and required 45 minutes for the trip to Lambert airport, arriving at 4:40 p.m.

Tomazi spent 10 minutes to claim his baggage and another 45 minutes in a taxi thru heavy evening traffic to Ramada Inn.

Both men explained that the "race" was an effort to dramatize the usage of short landing and take-off airplanes such as the DeHavilland.

TYPICAL EXAMPLES OF CONDITIONS PROMPTING AND SUPPORTING SCHEDULED SERVICES BY COMMUTER AIRLINES

*Why Commuter Airline Service?**

Scheduled air service from Beloit/Janesville, Wis. (pop. 35,729) to Chicago is available via:

A certificated carrier (North Central) at 7:25a and 2:00p (all non-stops)

A commuter Airline (Mississippi Valley) at 8:25a, 11:25a and 6:45p (all non-stops)

Thanks to the complementary and supplementary service of the Commuter Airline, passengers are given a wider range of schedules to serve their transportation needs.

*Comments are restricted to flights during the business week (Monday through Friday).

TO
CHICAGO, ILL.

C - MEIGS FIELD	1.0 MI E
M - MIDWAY	10.0 MI SW
▶ O - OHARE	23.0 MI NW

FROM
BELOIT/JANESVILLE, WIS.

X7	7:25a	7:55a	O	NC	460	S	C5	S	0
	2:00p	2:30p	O	NC	136	S	C5		0
COMMUTER AIR CARRIER									
X67	8:25a	9:00a	O	OU	102	A	TO		0
6	11:00a	11:40a	O	OU	160	A	TO		0
7	11:00a	11:40a	O	OU	170	A	TO		0
X67	11:25a	12:00n	O	OU	104	A	TO		0
7	5:55p	6:35p	O	OU	174	A	TO		0
X67	6:45p	7:25p	O	OU	108	A	TO		0

Source: Official Airline Guide, April 1, 1972

*Why Commuter Airline Service?**

Scheduled air service from Bloomington, Ind. (pop. 42,890) to Chicago is available via:

A certificated carrier (Allegheny) at 9:31a and 7:26p

A commuter Airline ((Allegheny) at 6:55a, 12:15p, 2:20p and 5:15p.

Thanks to Allegheny Airlines for complementing and supplementing its own service with that of an Allegheny Commuter, passengers are given a wider range of schedules to serve their transportation needs.

*Comments are restricted to flights during the business week (Monday through Friday).

TO
CHICAGO, ILL.

C - MEIGS FIELD	1.0 MI E
M - MIDWAY	10.0 MI SW
▶ O - OHARE	23.0 MI NW

FROM
BLOOMINGTON, IND.

X67	6:55a	8:10a	O	AL	42□	A	B9	2
X7	9:31a	10:02a	O	AL	744	A	C5	1
	12:15p	1:30p	O	AL	46□	A	B9	2
X6	2:20p	3:40p	O	AL	150□	A	B9	2
X6	5:15p	6:30p	O	AL	154□	A	B9	2
X6	7:26p	7:18p	O	AL	746	A	C5	0

EXPLANATION:

AL 744 - ALLEGHENY AIRLINES

AL 46□ - INDICATES A REPLACEMENT FLIGHT
OPERATED BY A COMMUTER AIRLINE
UNDER THE NAME ALLEGHENY COMMUTER
PURSUANT TO AN AGREEMENT APPROVED
BY THE CIVIL AERONAUTICS BOARD

Source: Official Airline Guide, April 1, 1972

Why commuter airline service?*

Scheduled air service from Ft. Wayne, Ind. (pop. 178,021) to Chicago is available:

through O'Hare Field via A Certificated Carrier (United) at 8:10a, 11:45a, 2:50p and 7:10p

through O'Hare Field via A Commuter Airline (Hub) at 8:00a and 9:10p

through Meigs Field (downtown Chicago) via A Commuter Airline (Hub) at 8:00a

If it were not for Hub Airlines (the Commuter Airline), passengers would not have direct service to downtown Chicago (saving them over 50 minutes in overall travel time) nor late evening service to Chicago. Here is another case where the Commuter service is both complementary and supplementary.

*Comments are restricted to flights during the business week (Monday through Friday).

TO
CHICAGO, ILL.

C - MEIGS FIELD	1.0 MI E
M - MIDWAY	10.0 MI SW
▶ O - OHARE	23.0 MI NW

FROM
FT. WAYNE, IND.

	8:10a	7:55a	O	UA	673	F/Y	737	0
	11:45a	12:16p	O	UA	981	F/Y	737	1
	2:50p	2:39p	O	UA	683	F/Y	737	0
X6	7:10p	7:04p	O	UA	447	F/Y	737	0
COMMUTER AIR CARRIER								
X67	8:00a	7:50a	C	XE	101	A	B9	0
X67	8:00a	8:20a	O	XE	101	A	B9	1
X67	9:10p	9:00p	O	XE	905	A	B9	0

Source: Official Airline Guide, April 1, 1972

*Why commuter airline service?**

Scheduled air service from Indianapolis, Ind. (pop. 745,739) to Chicago is available:

through O'Hare via Certificated Carriers (Allegheny, American, Delta and Eastern) from 6:45a to 8:21p (twelve non-stop and three one-stop flights)

through Midway via Certificated Carriers (Delta and Eastern) at: 8:22a, 12:25p, 5:10p, 9:20p and 11:15p (all non-stops)

through O'Hare via A Commuter Airline (Air Wisconsin) at 8:30a, 10:30a, 11:10a, 3:30p, 5:10p (three one-stop and two two-stop flights)

through Meigs Field (downtown Chicago) via A Commuter Airline (Hub) at 8:00a, 11:00a, 4:15p and 6:45p (all non-stops)

The Commuter Airline (Air Wisconsin) provides service between Indianapolis and Chicago via the intermediate points, Kokomo and Elkhart, Ind. Although it carries some passengers between Indianapolis and Chicago, its primary mission is to carry traffic from Indianapolis to the intermediate points and from such points to Chicago.

If it were not for Hub Airlines (Commuter Airline), passengers would not have direct service to downtown Chicago (saving them over 50 minutes in overall travel time). Here is another case where a Commuter Airline has pioneered a new market in the public interest.

*Comments are restricted to flights during the business week (Monday through Friday).

TO
CHICAGO, ILL.

► C - MEIGS FIELD 1.0 MI E
► M - MIDWAY 10.0 MI SW
► O - OHARE 23.0 MI NW

FROM
INDIANAPOLIS, IND.

▼							
X7	6:45a	7:00a	O AL	740	A	C5	1
	7:55a	7:43a	O AA	285	F/Y	727	0
	8:22a	8:00a	M DL	350	F/Y	DC9	0
	8:40a	8:27a	O AL	682	A	C5 S	0
	10:15a	10:02a	O AL	744	A	C5	0
	10:25a	10:13a	O AA	347	F/Y	B7F	0
	12:25p	12:03p	M DL	362	F/Y	DC9	0
	12:30p	12:20p	O AA	417	F/Y	727	0
	2:00p	1:47p	O AL	754	A	C5	0
	2:37p	2:59p	O AL	831	A	C5	1
	4:09p	3:48p	O DL	736	F/Y	D9S	0
	5:10p	4:48p	M DL	330	F/Y	DC9	0
	5:15p	5:02p	O AL	668	A	C5	0
X6	6:05p	6:00p	O AA	581	F/Y	727	0
X6	6:25p	6:12p	O AL	742	A	C5	0
X6	6:50p	7:18p	O AL	746	A	C5	1
	8:15p	8:05p	O EA	342	F/Y	D9S	0
	8:21p	8:00p	O DL	730	F/Y	D9S	0
	9:20p	9:00p	M EA	236	F/Y	D9S	0
	11:15p	10:53p	M DL	442	FN/YN	D9S	0
COMMUTER AIR CARRIER							
X17	7:25a	8:30a	O ZW	701	A	TO	2
X67	8:00a	8:00a	C ZB	121	A	B9	0
X7	8:30a	9:00a	O ZW	101	A	TO	1
X67	10:30a	11:20a	O ZW	703	A	B9	2
X67	11:00a	11:00a	C ZB	127	A	B9	0
X67	11:10a	11:35a	O ZW	201	A	TO	1
X6	3:30p	4:35p	O ZW	705	A	TO	2
X67	4:15p	4:15p	C ZB	139	A	B9	0
X6	5:10p	5:35p	O ZW	203	A	TO	1
X67	6:45p	6:45p	C ZB	141	A	B9	0

Source: Official Airline Guide, April 1, 1972

*Why commuter airline service?**

Scheduled air service from La Crosse, Wis. (pop. 51,153) to Chicago is available via:

A Certificated Carrier (North Central) as follows:

One-Stop: 10:43a

Two-Stop: 6:10a, 8:15a, 12:45p and 6:45p

A Commuter Airline (Mississippi Valley) as follows:

Nonstop: 4:00p;

One-Stop: 7:25a and 5:50p;

Two-Stop: None;

Three-Stop: 9:45a.

The Commuter Airline (Mississippi Valley) provides service between La Crosse and Chicago via the intermediate points Prairie du Chien, Wis.; Dubuque, Iowa; Beloit/Janesville, Wis.

Thanks to the complementary and supplementary service of the Commuter Airline, passengers are given a wider range of schedules to serve their transportation needs.

*Comments are restricted to flights during the business week (Monday through Friday).

TO
CHICAGO, ILL.

C - MEIGS FIELD	1.0 MI E
M - MIDWAY	10.0 MI SW
▶ O - OHARE	23.0 MI NW

FROM
LA CROSSE, WIS.

X7	6:10a	7:55a	O	NC	460	S	C5	S	2
	8:15a	10:20a	O	NC	466	S	D9S		2
	10:43a	12:05p	O	NC	464	S	D9S		1
X6	12:45p	2:30p	O	NC	136	S	C5		2
	6:45p	8:45p	O	NC	468	S	C5		2
COMMUTER AIR CARRIER									
X67	7:25a	9:00a	O	OU	102	A	TO		1
6	9:20a	11:40a	O	OU	160	A	TO		3
7	9:20a	11:40a	O	OU	170	A	TO		3
X67	9:45a	12:00n	O	OU	104	A	TO		3
7	3:00p	4:55p	O	OU	172	A	TO		1
6	3:30p	5:25p	O	OU	162	A	TO		1
X67	4:00p	5:20p	O	OU	106	A	TO		0
7	5:00p	6:35p	O	OU	174	A	TO		1
X67	5:50p	7:25p	O	OU	108	A	TO		1

Source: *Official Airline Guide*, April 1, 1972

*Why commuter airline service?**

Scheduled air service from Lansing, Mich. (pop. 131,456) to Chicago is available via:

Certificated Carriers (United and North Central) as follows:

Non-Stop: 8:00a and 5:45p

Two-Stop: 1:35p, 5:38p and 9:53p

Three-Stop: 10:38a

A Commuter Airline (Trans Michigan) at 9:00a, 1:15p, 4:30p and 8:30p (all nonstops)

Traffic statistics prove that many passengers prefer the non-stop service of commuter airlines over the multi-stop service of certificated carriers.

*Comments are restricted to flights during the business week (Monday through Friday).

TO
CHICAGO, ILL.

C - MEIGS FIELD	1.0 MI E
M - MIDWAY	10.0 MI SW
▶ O - OHARE	23.0 MI NW

FROM
LANSING, MICH.

	8:00a	7:45a	O	UA	737	F/Y	737	0
	10:38a	12:10p	O	NC	973	S	C5	3
	1:35p	2:23p	O	NC	911	S	C5	2
	5:38p	6:30p	O	NC	975	S	C5	2
	5:45p	5:34p	O	UA	803	F/Y	737	0
	9:53p	11:00p	O	NC	977	S	C5	2
COMMUTER AIR CARRIER								
X67	9:00a	9:10a	O	VK	301	A	B9	0
X67	1:15p	1:25p	O	VK	303	A	B9	0
X6	4:30p	4:40p	O	VK	305	A	B9	0
X6	8:30p	8:40p	O	VK	307	A	B9	0

Source: *Official Airline Guide*, April 1, 1972

*Why Commuter Airline Service?**

Scheduled air service from Springfield, Ill. (pop. 91,753) is available as follows:

To O'Hare Field (23 miles north of Chicago) via a Certificated Carrier (Ozark)

Nonstop: 5:10p

One-stop: 6:35a, 9:35a, 11:15a, 2:20p, 4:27p, 6:52p

Two-stop: 9:00p

To Meigs Field (1 mile east of Chicago) via a Certificated Carrier (Ozark)

Nonstop: 7:00a, 8:30a, 10:00a, 12:30p, 2:00p, 3:30p, 5:00p, 6:30p and 8:00p

To Meigs Field (1 mile east of Chicago) via a Commuter Airline (Air Illinois)

Nonstop: 7:00a, 8:15a, 10:50a, 1:50p, 4:25p, 5:25p and 7:00p

*Comments are restricted to flights during the business week (Monday through Friday).

The Meigs Field service was conceived, pioneered and developed by COMMUTER AIRLINES. It all began in 1966 in response to public need for service between downtown Chicago and Springfield. On March 15, 1972, Ozark Airlines (a certificated carrier) entered the market with Twin Otter aircraft (a new addition to its fleet of large aircraft) in direct competition with Air Illinois. It has been reported that Ozark's decision to enter this market with questionable certification from the CAB and the Illinois Commerce Commission will be challenged in court. This is another example illustrating the reason why some commuter airlines favor a form of CAB certification and route protection.

TO
CHICAGO, ILL.

► C - MEIGS FIELD	1.0 MI E
M - MIDWAY	10.0 MI SW
► O - OHARE	23.0 MI NW

FROM
SPRINGFIELD, ILL.

	6:35a	7:45a	O	OZ	920	F/Y	D9S	1
X67	7:00a	8:10a	C	OZ	210	A	TO	0
X67	8:30a	9:40a	C	OZ	220	A	TO	0
X67	9:35a	10:50a	O	OZ	816	A	FH	1
X67	10:00a	11:10a	C	OZ	230	A	TO	0
	11:15a	12:25p	O	OZ	956	F/Y	D9S	1
X67	12:30p	1:40p	C	OZ	240	A	TO	0
X67	2:00p	3:10p	C	OZ	250	A	TO	0
	2:20p	3:40p	O	OZ	826	A	FH	1
X67	3:30p	4:40p	C	OZ	260	A	TO	0
X67	4:27p	5:25p	O	OZ	842	A	FH	0
X67	5:00p	6:10p	C	OZ	270	A	TO	0
	5:10p	6:04p	O	OZ	848	A	FH	0
X67	6:30p	7:40p	C	OZ	280	A	TO	0
	6:52p	8:10p	O	OZ	854	A	FH	1
X67	8:00p	9:10p	C	OZ	290	A	TO	0
X6	9:00p	10:41p	O	OZ	820	A	FH	2
COMMUTER AIR CARRIER								
X67	7:00a	8:00a	C	UX	212	A	TO	0
X67	8:15a	9:15a	C	UX	112	A	TO	0
X67	10:50a	11:50a	C	UX	122	A	TO	0
X67	1:50p	2:50p	C	UX	222	A	TO	0
X67	4:25p	5:25p	C	UX	232	A	TO	0
X67	5:25p	6:25p	C	UX	152	A	TO	0
X67	7:00p	8:00p	C	UX	252	A	TO	0

Source: Official Airline Guide, April 1, 1972

*Why Commuter Airline Service?**

Scheduled air service from Stevens Point, Wis. (pop. 23,479) is available to O'Hare Field in Chicago, as follows:

From Central Wisconsin Airport (20 miles north of Stevens Point) via a
a Certificated Carrier (North Central)

Nonstop : 5 :10p

One-stop : 7 :50a and 1 :02p

Two-stop : 4 :50p and 6 :30p

Three-stop : 2 :55p

From Central Wisconsin Airport (20 miles north of Stevens Point) via a
Commuter Airline (Air Wisconsin)

One-stop : 7 :20a, 9 :50a, 1 :35p and 4 :00p

Two-stop : 7 :50p

From Stevens Point Airport (3 miles northeast of Stevens Point) via a
Commuter Airline (Midstate Air Commuter)

One-stop : 7 :05a, 11 :30a and 3 :50p

With the exception of the one non-stop via North Central, the service between Stevens Point and Chicago is via different intermediate points.

Public support of the commuter airlines in the Stevens Point-Chicago market and the markets via the intermediate points is ample proof that the service is wanted and needed.

*Comments are restricted to flights during the business week (Monday through Friday).

TO
CHICAGO, ILL.

C - MEIGS FIELD	1.0 MI E
M - MIDWAY	10.0 MI SW
▶ O - OHARE	23.0 MI NW

FROM
STEVENS POINT, WIS.

● S - STEVENS POINT	3.0 MI NE
● C - CENTRAL WIS.	20.0 MI N

7:50a C	9:20a O	NC	450	S	D9S	S	1
1:02p C	2:30p O	NC	452	S	D9S		1
2:55p C	5:20p O	NC	458	S	C5		3
4:50p C	6:55p O	NC	572	S	C5		2
5:10p C	5:54p O	NC	576	S	D9S	S	0
6:30p C	8:33p O	NC	454	S	D9S		2

COMMUTER AIR CARRIER

X67	7:05a S	8:25a O	IU	10	A	B9	1
X7	7:20a C	8:55a O	ZW	42	A	B9	1
67	8:20a S	9:45a O	IU	24	A	B9	1
X67	9:50a C	11:25a O	ZW	60	A	B9	1
7	9:50a C	11:25a O	ZW	960	A	B9	1
X67	11:30a S	12:55p O	IU	16	A	B9	1
X67	1:35p C	3:05p O	ZW	62	A	B9	1
6	1:35p C	3:30p O	ZW	962	A	B9	2
	3:50p S	5:10p O	IU	12	A	B9	1
X6	4:00p C	5:30p O	ZW	56	A	B9	1
X6	7:50p C	9:30p O	ZW	64	A	B9	2

Source: Official Airline Guide, April 1, 1972

*Why commuter airline service?**

Scheduled air service from Wausau, Wis. (pop. 32,806) is available to O'Hare Field in Chicago, as follows:

From Central Wisconsin Airport (13 miles south of Wausau) via a Certificated Carrier (North Central)

Nonstop: 5:10p

One-stop: 7:50a and 1:02p

Two-stop: 4:50p and 6:30p

Three-stop: 2:55p

*Comments are restricted to flights during the business week (Monday through Friday).

From Central Wisconsin Airport (13 miles south of Wausau) via a Commuter Airline (Air Wisconsin)

One-stop: 7:20a, 9:50a, 1:35p, 4:00p

Two-stop: 7:50p

From Wausau Airport (3 miles south of Wausau) via a Commuter Airline (Midstate Air Commuter)

Two-stop: 7:55a and 3:00p

With the exception of the one *non-stop* via North Central, the service between Wausau and Chicago is via different intermediate points, such as: North Central via Green Bay, Manitowoc and Milwaukee, Wis.; Air Wisconsin via Appleton and Sheboygan, Wis.; Midstate Air Commuter via Wisconsin Rapids and Milwaukee, Wis.

Public support of the commuter airlines in the Wausau-Chicago market and the markets via the intermediate points is ample proof that the service is wanted and needed.

TO CHICAGO, ILL.

C - MEIGS FIELD	1.0 MI E
M - MIDWAY	10.0 MI SW
▶ O - OHARE	23.0 MI NW

FROM WAUSAU, WIS.

● W - WAUSAU	3.0 MI S
● A - CENTRAL WIS.	13.0 MI S

7:50a	A	9:20a	O	NC	450	S	D9S	S	1
1:02p	A	2:30p	O	NC	452	S	D9S		1
2:55p	A	5:20p	O	NC	458	S	C5		3
4:50p	A	6:55p	O	NC	572	S	C5		2
5:10p	A	5:54p	O	NC	576	S	D9S	S	0
6:30p	A	8:33p	O	NC	454	S	D9S		2

COMMUTER AIR CARRIER

X7	7:20a	A	8:55a	O	ZW	42	A	B9	1
X67	7:55a	W	9:50a	O	IU	20	A	B9	2
X67	9:50a	A	11:25a	O	ZW	60	A	B9	1
7	9:50a	A	11:25a	O	ZW	960	A	B9	1
X67	1:35p	A	3:05p	O	ZW	62	A	B9	1
6	1:35p	A	3:30p	O	ZW	962	A	B9	2
X67	3:00p	W	4:59p	O	IU	22	A	B9	2
7	3:00p	W	4:59p	O	IU	26	A	B9	2
X6	4:00p	A	5:30p	O	ZW	56	A	B9	1
X6	7:50p	A	9:30p	O	ZW	64	A	B9	2

Source: Official Airline Guide, April 1, 1972

*Why commuter airline service?**

To look at the full-range of certificated carrier schedules from Detroit to Chicago, there would appear to be no need for Commuter Airline service. A close look reveals that all of the certificated carrier service is from Metro Airport (23 miles southwest of Detroit) to O'Hare Field and Midway Airport in Chicago, whereas the Commuter Airline (Hub Airlines) provides five flights a day from City Airport (5 miles northeast of Detroit): four to Meigs Field in downtown Chicago and one to O'Hare via Battle Creek, Mich.

Public support of the Commuter Airline (Hub) is ample proof that its services between Detroit and Chicago are wanted and needed.

*Comments are restricted to flights during the business week (Monday through Friday).

TO
CHICAGO, ILL.

► C - MEIGS FIELD 1.0 MI E
► M - MIDWAY 10.0 MI SW
► O - OHARE 23.0 MI NW

FROM
DETROIT, MICH.

● D - CITY AIRPORT 5.0 MI NE
● M - METRO 23.0 MI SW

		7:00a	M	6:52a	M	AA	501	F/Y	727	S/	0
		7:15a	M	9:00a	O	NC	971	S	C5	S	3
		7:25a	M	8:23a	O	AA	71	F/Y	B3F	S	0
		EFFECTIVE APR30									
		7:50a	M	8:35a	O	NC	800	S	C5	S	2
		8:05a	M	8:05a	O	UA	647	F/Y	727		0
		8:15a	M	8:15a	O	AA	107	F/Y	747	S/	0
		9:20a	M	9:25a	O	AA	333	F/Y	B3F		0
		9:30a	M	9:31a	O	UA	771	F/Y	737		0
	X67	10:00a	M	9:52a	M	AA	593	F/Y	727		0
		10:00a	M	9:58a	O	NW	205	F/Y	72S		0
		10:00a	M	12:10p	O	NC	973	S	C5		4
		10:20a	M	11:05a	O	NC	814	S	C5		2
		11:40a	M	11:32a	M	AA	337	F/Y	727		0
		12:00n	M	12:05p	O	UA	147	F/Y	747		0
		12:15p	M	12:10p	O	AA	71	F/Y	B3F		0
		12:25p	M	12:24p	O	NW	71	F/Y	B3F		0
		12:55p	M	2:23p	O	NC	911	S	C5		3
		1:15p	M	1:16p	O	AA	105	F/Y	B3F		0
		2:10p	M	2:10p	O	AA	319	F/Y	727		0
	24	2:15p	M	2:05p	M	NE	235	F/Y	D9S		0
	X246	2:15p	M	2:05p	M	NE	237	F/Y	D9S		0
	X67	3:10p	M	3:02p	M	AA	327	F/Y	727		0
	X6	3:10p	M	3:40p	O	NC	876	S	C5		1
		4:10p	M	4:10p	O	AA	355	F/Y	B3F		0
		4:50p	M	5:35p	O	NC	806	S	C5		2
		5:00p	M	6:30p	O	NC	975	S	C5		3
		5:45p	M	6:30p	O	NC	808	S	C5		2
		5:50p	M	5:53p	O	AA	301	F/Y	727		0
		6:40p	M	6:40p	O	NW	231	F/Y	727		0
		7:35p	M	7:35p	O	AA	471	F/Y	B7F		0
	X6	8:00p	M	8:00p	O	AA	139	F/Y	72S		0
		8:15p	M	8:16p	O	UA	309	F/Y	737		0
	X6	8:20p	M	8:12p	M	AA	379	F/Y	727		0
	X6	8:50p	M	9:35p	O	NC	878	S	C5		2
		9:10p	M	11:00p	O	NC	977	S	C5		3
	X6	9:15p	M	9:13p	O	AA	447	F/Y	B7F		0
		11:30p	M	11:24p	O	AA	193	F/Y	B7F		0
		COMMUTER AIR CARRIER									
	X67	7:15a	M	7:50a	O	XE	261	A	B9		1
	X67	7:30a	D	7:50a	C	XE	207	A	B9		0
	X67	7:30a	D	8:20a	O	XE	207	A	B9		1
	X67	10:45a	D	11:20a	C	XE	215	A	B9		1
	X67	2:00p	D	2:35p	C	XE	237	A	B9		1
	67	3:45p	M	4:50p	O	XE	281	A	B9		1
	X67	5:10p	D	5:30p	C	XE	247	A	B9		0

Source: Official Airline Guide, April 1, 1972

*Why commuter airline service?**

Scheduled air service from Clearlake City, Texas to Houston, Texas is another example of what can be done by commuter airlines.

The flight time is fifteen minutes. The fare is \$12.00 one-way (tax included). Passenger traffic supports 22 flights a day. And practically all of the passengers are "fed" to the major airlines for destinations everywhere. This is an example of what can be done between a "STOL Strip" serving a suburb, or outlying industrial park, and the major airport of a metropolitan area.

*Comments are restricted to flights during the business week (Monday through Friday).

TO
HOUSTON, TEXAS

H - HOBBY

10.0 MI SE

► I - INTERCONTINENTAL 20.0 MI N

FROM
CLEARLAKE CITY, TEXAS

COMMUTER AIR CARRIER

X67	6:00a	6:15a	HY	300	A	TO	0
X7	7:10a	7:25a	HY	304	A	TO	0
X7	8:10a	8:25a	HY	312	A	TO	0
X67	9:20a	9:35a	HY	314	A	TO	0
X7	10:45a	11:00a	HY	316	A	TO	0
X7	12:15p	12:30p	HY	318	A	TO	0
X6	1:20p	1:35p	HY	320	A	TO	0
X6	1:55p	2:10p	HY	322	A	TO	0
X6	2:55p	3:10p	HY	324	A	TO	0
X6	3:25p	3:40p	HY	326	A	TO	0
X6	3:55p	4:10p	HY	328	A	TO	0
X6	4:25p	4:40p	HY	330	A	TO	0
X6	4:55p	5:10p	HY	332	A	TO	0
X6	5:35p	5:50p	HY	334	A	TO	0
X6	6:05p	6:20p	HY	336	A	TO	0
X6	7:00p	7:15p	HY	340	A	TO	0
X6	7:30p	7:45p	HY	342	A	TO	0
X6	8:00p	8:15p	HY	344	A	TO	0
X6	8:30p	8:45p	HY	346	A	TO	0
X6	9:00p	9:15p	HY	348	A	TO	0
X6	9:30p	9:45p	HY	350	A	TO	0
X6	10:40p	10:55p	HY	354	A	TO	0

Source: Official Airline Guide, April 1, 1972

FREQUENCY OF SERVICE STIMULATES MARKETS FROM APPLETON, WIS., TO (PRIMARILY CHICAGO)

Carrier and year	Departures	Enplaned
North Central Airlines (certificated carrier):		
1962.....	1,053	5,822
1963.....	1,062	6,260
1964.....	1,063	7,457
1965.....	971	6,145
1966.....	163	1,283
Air Wisconsin (commuter airline): 1970.....	5,381	29,936

Note: In comparison to North Centrals performance in 1964 Air Wisconsin increased enplanements in 1970 by 301 by increasing departures 411.

Source: FAA Overview Conference, March 1972.

FREQUENCY OF SERVICE STIMULATES MARKETS FROM SALISBURY MD., TO PRIMARILY BALTIMORE AND WASHINGTON

	Departures	Enplaned
Allegheny Airlines (certificated carrier):		
1962.....	586	1,518
1963.....	654	1,732
1964.....	649	2,030
1965.....	857	3,681
1966.....	1,228	6,304
1967.....	1,672	9,278
1968.....	1,224	6,257
1969 ¹	247	729
Allegheny commuter (Henson aviation, commuter airline, operating under contract with allegheny): 1970.....	2,659	30,844

Note: In comparison to Allegheny's performance in 1967, Henson Aviation (operating under Allegheny's colors) increased enplanements in 1970 by 232% by increasing departures 59%.

Source: FAA overview conference, March 1972.

¹ Allegheny suspended service at Salisbury, Md., June, 1969.

INITIAL RESPONSE TO "LIMITED AIR CARRIER ACT OF 1971", S. 796, INTRODUCED BY SENATOR JAMES B. PEARSON, REPUBLICAN OF KANSAS

The Commuter Air Carrier Conference developed the Commuter Air Carrier Act of 1971. Approved by two-thirds majority vote the proposed legislation was introduced in the United States House of Representatives by Bob Wilson, Republican of California.

COMMUTER AIR CARRIER ACT OF 1971, H.R. 11043

A BILL to amend the Federal Aviation Act of 1958, as amended, to authorize the establishment of a class of commuter air carriers, to provide for issuance of certificates of public convenience and necessity to members of that class who may apply therefore 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 "Commuter Air Carrier Act of 1971."

SEC. 2. The Federal Aviation Act of 1958, as amended, is further amended as follows:

(a) Section 101 (49 U.S.C. 1301) is amended by redesignating paragraphs (34) and (35) as (36) and (37) and by inserting the following new paragraphs:

"(34) 'Commuter air carrier' means an air carrier engaged in commuter air transportation pursuant to certificate or individual or class exemption.

"(35) 'Commuter air transportation' means air transportation by aircraft rendered pursuant to a certificate issued pursuant to section 401(d)(4) of this Act or pursuant to individual or class exemption to provide scheduled service with aircraft limited as to size, weight or capacity as heretofore or hereafter may be prescribed by the Board by an air carrier which performs at least five round trips per week between two or more points and publishes schedules which specify the times, days of the week and places between such flights are per-

formed, except services provided exclusively for the transportation of mail pursuant to contract with the United States Postal Service."

(b) Section 401 (49 U.S.C. 1371) is amended by adding before the period at the end of subsection (c) the following:

" : Provided, That the Board may, except as otherwise provided, issue certificates of public convenience and necessity under subsection (d) (4) of this section without a hearing."

(c) Section 401 (49 U.S.C. 1371) is amended by adding the following new paragraph to subsection (d) thereof:

"(4) In the case of an application for a certificate to engage in commuter air transportation by a commuter air carrier operating continuously as such for a period of not less than six months prior to the date of the application (except as to interruptions of service over which the applicant had no control) the Board shall issue a certificate to such applicant not holding a certificate under paragraph (1), (2) or (3) of this subsection, authorizing such air transportation of the class or classes of traffic carried between the terminal and intermediate points, if any, between which the applicant has so continuously operated as a commuter air carrier if it finds that the applicant is fit, willing and able properly to perform the transportation covered by the application and to conform to the provisions of this Act and the rules, regulations and requirements of the Board hereunder.

"If any applicant who makes application for a commuter air carrier certificate within one hundred and twenty days after the enactment of this Act shall show that, for a period of six months prior to date of enactment hereof, it, or its predecessor in interest, was a commuter air carrier; continuously operating as such (except as to interruptions of service over which the applicant or its predecessor in interest had no control), the Board, upon proof of such fact only, shall issue a commuter air carrier certificate or certificates authorizing such applicant to engage in such air transportation of the class or classes of traffic carried for which authorization is sought between the terminal and intermediate points between which it, or its predecessor, so continuously operated for six months prior to the enactment hereof.

"Commuter air carriers may institute or continue commuter air transportation without the requirement of holding a commuter air carrier certificate subject to rules, regulations and requirements of the Board now in effect or as they may be amended by the Board as it may deem in the public interest to implement and enforce the policies set forth in section 102 of this Act: Provided, That no individually-ticketed or waybilled services shall be instituted or continued by any air taxi operator or commuter air carrier between points served by the holder of a commuter air carrier certificate unless and until, upon application filed, therefore, the Board, after hearing, shall find that there is a need in the public interest for the authorization of competitive commuter air carrier services. Provided further, That any commuter air carrier which has been operating continuously as such for a period of six months prior to the date of the application of the holder for such commuter air carrier certificate may continue to provide such air transportation between the terminal and intermediate points between which it has so continuously operated."

(d) Section 401 (49 U.S.C. 1371) is amended by adding before the period at the end of paragraph (4) of subsection (e) the following:

" , or in a certificate for commuter air transportation, when required by subsection (d) (4) of this section, the Board shall limit the capacity of the aircraft to be used."

(e) Section 401 (49 U.S.C. 1371) is amended by adding the following new subsection:

"(o) (1) No certificate to engage in commuter air transportation shall be issued or remain in effect unless the applicant for or holder of such certificate, as the case may be, complies with regulations or orders issued by the Board governing the filing and approval of policies of insurance, in the amount of such insurance, amounts for which such applicant or such commuter air carrier may become liable for bodily injuries to or the death of any person, or for loss or damage to property of others, resulting from the negligent operation or maintenance of aircraft under such certificate.

"(2) If any service authorized by a certificate to engage in commuter air transportation is not performed to the minimum extent as defined in section 101(35) hereof, the Board may by order, entered after notice and hearing, direct

that such certificate shall thereupon cease to be effective to the extent of such service.

"(3) The requirement that each applicant for a certificate to engage in commuter air transportation must be found to be fit, willing and able properly to conform to the provisions of this Act and the rules, regulations and requirements of the Board under this Act, shall be a continuing requirement applicable to each commuter air carrier with respect to the transportation authorized by, and currently furnished or proposed to be furnished under, such carrier's certificate. The Board shall by order, entered after notice and hearing, modify, suspend, or revoke such certificate, in whole or in part, for failure of such carrier (A) to comply with the continuing requirement that such carrier be so fit, willing and able to comply with any requirements or conditions which may be imposed by the Board from time to time, or (B) to file such reports as the Board may deem necessary to determine whether such carrier is so fit, willing and able.

"(4) The Board may relieve from any of the provisions of Title IV of this Act or any rule, regulation, term, condition or limitation prescribed thereunder, by regulation or individual order, commuter air carriers and the holders of commuter air carrier certificates to the extent and for such periods as may be in the public interest in accordance with the policy that such air carriers and certificate holders shall be so relieved to the maximum extent consistent with the public interest; Provided, That the Board shall establish standards respecting the character and quality of service to be rendered and require such reports and other compliance with the provisions of this Act and rules, regulations and requirements prescribed thereunder as it may deem necessary to assure that commuter air carriers entitled to rates of compensation for the transportation of mail under section 406 of this Act on other than a service mail rate basis, shall maintain and continue, under honest, economical, and efficient management, the development of air transportation to the extent and of the character and quality required for the commerce of the United States, the Postal Service, and the national defense."

SEC. 3(a) A commuter air carrier is not a certificated air carrier within the provisions of 39 U.S.C. 5402.

(b) 39 U.S.C. 5402(c) is amended by adding after the words "air taxi operator" the words "or commuter air carrier."

(c) Commuter air carriers are not air carriers certificated by the Civil Aeronautics Board within the provisions of section 612 of the Federal Aviation Act of 1958, as amended (49 U.S.C. 1432).

INTERPRETATION OF PROPOSED LEGISLATION

The following information is presented to help clarify the COMMUTER AIR CARRIER ACT OF 1971 and its implications or effect on the scheduled operations (passenger, cargo and mail) of the commuter air carriers:

A. Those carriers electing NOT to operate under a *commuter certificate* need not anticipate or expect any amendments to Part 298 as a result of the enactment of the Commuter Air Carrier Act of 1971 except those amendments which are considered appropriate to cover the rules, regulations and requirements applicable to those carriers operating under a *commuter certificate*.

B. Those carriers electing to operate under a *commuter certificate* may be required to comply with certain rules, regulations and requirements of the Federal Aviation Act of 1958 from which they are now exempt under Part 298, including the provision for the filing of tariffs.

In this regard, the draft legislation includes a statement of Congressional policy that the CAB should relieve commuter air carriers, including those operating under a *commuter certificate*, from all regulations "to the maximum extent consistent with the public interest" so that such carriers may remain economically viable in service to the nation and the public. In no event will those carriers operating under a *commuter certificate* be saddled with the requirements of a full certificate of public convenience and necessity, as that is certainly not the intent of the Act.

C. If your company has been operating as a commuter air carrier for six months prior to the date of the enactment of the Act:

1. Your company shall have the right to request a *commuter certificate*, and be granted same by the CAB, on the basis of "Grandfather Rights;" or

2. Your company may elect not to request a *commuter certificate* with the understanding that:

a. If there is another "grandfather" operating over your route(s), and such carrier elects to obtain a *commuter certificate* pursuant to C.1. above, your company can continue to operate over such route(s). You cannot be ousted because of the other "grandfather's" *commuter certificate*.

b. If a non-grandfather enters your market, and after operating over your route(s) for six months elects to make application for a *commuter certificate* and subsequently receives same, your company can continue to operate over such route(s). You cannot be ousted because of your "Grandfather Rights."

D. If your company obtains a *commuter certificate*, no individually ticketed or waybilled service may be instituted or continued over your certificated route(s) by an air taxi operator or commuter air carrier except as specified below:

1. The carrier has "Grandfather Rights" and holds, or does not hold, a *commuter certificate*;

2. The carrier has been operating continuously over the route(s) as a commuter air carrier for a period of six months prior to the date of your application for a *commuter certificate*;

3. The carrier has been granted a *commuter certificate* following a hearing wherein the CAB finds that there is a need in the public interest for competitive commuter air carrier service over your route(s).

E. With or without a *commuter certificate*, your company should understand that enactment of the Commuter Air Carrier Act of 1971 shall have no effect whatsoever on the provision of Part 401 of the Federal Aviation Act of 1958 whereby any carrier, whether it be a certificated carrier or a Part 298 air carrier, may apply for a full certificate of public convenience and necessity covering your route(s).

F. The Act has nothing to do whatsoever with respect to protecting commuter air carriers from certificated carriers, or vice versa.

G. Although Part 298 of the CAB's Economic Regulations defines COMMUTER AIR CARRIER as an "air taxi operator which . . . or (2) transports mail by air pursuant to a current contract with the Post Office Department," your company could not obtain a *commuter certificate* if your operation over the route(s) was exclusively for mail under contract with the U.S. Postal Service.

H. If your company is carrying mail on combination passenger/cargo flights, or all cargo flights, the Act does not preclude the inclusion of mail authority in your *commuter certificate*.

PRIMARY REASONS FOR DEVELOPING "COMMUTER AIR CARRIER ACT OF 1971"

A pamphlet published by the Commuter Air Carrier Conference in behalf of the majority of commuter airlines supporting the proposed legislation included the following statement:

Enactment of this legislation by the Congress of the United States of America would be official recognition that commuter air carriers are indeed a part of the nation's air transport system.

In summary, the legislation was designed to achieve the following:

Award "grandfather rights" to those carriers operating as commuter air carriers for six months prior to enactment of the Act;

Give commuter air carriers the opportunity to operate under a *commuter certificate* if they so choose: (The draft legislation includes a statement of Congressional policy that the CAB should relieve commuter air carriers, including those operating under a *commuter certificate*, from all regulations "to the maximum extent consistent with the public interest" so that such carriers may remain economically viable in service to the nation and the public. In no event will those carriers operating under a *commuter certificate* be saddled with the requirements of a full certificate of public convenience and necessity, as that is certainly not the intent of the Act.)

Prevent *destructive competition* in the commuter air carrier industry and thus assure its orderly growth and development in the national and public interests;

Give small communities and the people who reside and/or do business in such communities one more reason for supporting scheduled air transportation with *small aircraft* through their full service local airports;

Give the industry much needed identification and recognition and thus make it easier for the carriers to attract investment capital necessary to improve their

services in currently served markets and to expand their services to other communities that want and need scheduled air service (passenger, cargo and mail);

Improve the opportunity for commuter air carriers to obtain *appropriate financial assistance from the government* (federal, state or local), *or the private sector*, in order to provide air service to those communities where the traffic is not sufficient to produce enough revenue at reasonable fares and under prudent management to cover the cost of operation, and particularly in those cases where the service is considered essential for the economic, cultural and social well-being of such communities;

Improve the opportunity for commuter air carriers to become *full participants* in the nation's air transport system by participating with *all* CAB certificated carriers in such things as: interline agreements covering reservations, ticketing, baggage, cargo; Universal Air Travel Plan; Airlines Clearing House, Airline Tariff Publications, joint fares, etc.

Make the carriers eligible for appropriate government guaranteed loans covering the financing of new aircraft or refinancing of old aircraft, on the same basis as the certificated carriers.

SECRETARY OF TRANSPORTATION JOHN A. VOLPE PROCLAIMED OCTOBER COMMUTER AIR CARRIER MONTH

WASHINGTON, D.C., October 4, 1971.

Today, there are 180 commuter air carriers registered with the Civil Aeronautics Board that provide scheduled air transportation service using small aircraft to almost 400 locations throughout the United States, the Commonwealth of Puerto Rico, and the territories and possessions of the United States of America.

As an example of the contributions made by this young and growing industry to the nation's economy, during fiscal year 1970 alone, member carriers transported approximately 4,000,000 passengers, 38,500,000 pounds of cargo, and 69,500,000 pounds of mail, averaging over 67,250 flights per month!

In view of this outstanding and continuing record of accomplishment in behalf of millions of our citizens, and—

Whereas, the commuter air carriers constitute a vitally needed industry performing valuable passenger, mail, and cargo transportation services for the nation and its individual communities, and

Whereas, these carriers provide a unique link between America's grass-roots communities and our large metropolitan areas and thus serve as partners in service with the major airlines of this nation, and

Whereas, these small air carriers provide safe, reliable, and frequent air transportation connections for the air traveler and shipper in rural localities who would otherwise be deprived of the benefits of air services, and

Whereas, the commuter air carriers have demonstrated initiative and flexibility in their readiness to respond at all times and in all places to the needs of the private citizen and the business man for special air charter services to and from areas that lack any form of air transport service, and

Whereas, these commuter air carriers perform a necessary and timely mail delivery service for the many thousands of our rural citizens, and

Whereas, they provide a growing potential for much needed market development of America's low density, short haul communities and thus comprise a key resource for reversing the migratory tendency in our rural environment in favor of overcrowded urban centers, and

Whereas, the commuter air carriers have shown themselves to be responsible and properly certificated air transportation operators observing Federal Aviation Regulations governing safety, maintenance, and other operational requirements, and

Whereas, their contributions to the economic, social and cultural well-being of our nation deserve the encouragement, recognition, and support of all our citizens,

I, John A. Volpe, therefore, urge each citizen to support the commuter air carrier industry in its continuing efforts to improve and expand its beneficial services throughout the nation so that more of our communities, businesses, and private individuals may enjoy the many advantages of air transportation, and hereby proclaim the month of October—Commuter Air Carrier Month.

JOHN A. VOLPE,
Secretary of Transportation.

NATIONAL AIR TRANSPORTATION CONFERENCES, INC.,
Washington, D.C.

To: American Citizens Everywhere.

Communities throughout the U.S.A. want and need scheduled air service. For obvious reasons: their own economic development and the cultural-social well-being of their citizens.

Where the population and/or business activity of an area is not sufficient to support timely service by the major airlines through the local airport, the best hope for scheduled air service for such an area rests with COMMUTER AIR CARRIES—the pioneers in providing safe, reliable, economical and frequent air transportation (passenger, cargo and mail) with SMALL AIRCRAFT in response to public and community demands.

Many of these carriers want and need legislation which will provide an economic climate to assure the orderly growth and development of their industry. They want to profit through service to the nation and the public by providing dependable airline transportation in low-density short-haul markets, many of which are not being served today. That, in principle, is the primary purpose of the proposed COMMUTER AIR CARRIER ACT OF 1971.

Although the majority of commuter air carriers appear to favor enactment of the proposed legislation, others question its need for a variety of reasons. Some are quite happy with the "route protection" they enjoy as intra-state operators. Still others participate in one or more replacement service agreements with the major airlines covering short-haul low-density markets wherein they receive many of the advantages other commuters are seeking through legislation. A few commuters openly oppose the proposed legislation. And many have not as yet expressed their views one way or another. But one thing is obvious. All commuter air carriers view the proposed legislation from their own personal point of view and its possible implications on their current and/or expanded operations. And that is the way it should be. And that is why it is so essential for appropriate committees of the Senate and House to hold public hearings on the Commuter Air Carrier Act of 1971 so that the views of all can be reviewed, analyzed and evaluated before the Congress decides PRO or CON.

October is Commuter Air Carrier Month. That is the time more than 100 commuter air carriers providing scheduled air service to over 372 communities throughout America will give the PEOPLE WHO CARE the opportunity to join others as signatories to a petition asking their elected representatives in the nation's capital to support the commuter air carrier industry in general, and in particular to participate in public hearings on the proposed legislation.

We pray that you and your community will participate in this "grass roots" campaign. And thank you for your interest and help.

Respectfully yours,

THOMAS S. MILES, *President.*

Jan. 3, 1972.—Commuter airlines agree to defer action in support of "Commuter Air Carrier Act of 1971" (H.R. 11043) until another approach for achieving the legislation's basic objectives can be developed and considered by the Commuter Air Carrier Conference.

ALPA v. CAB

Before U.S. Court of Appeals, District of Columbia challenges the right of the CAB to approve suspension/replacement agreements between certificated carriers and commuter airlines without full public hearings.

CAB APPROVES SUSPENSION OF CERTIFICATED AIR SERVICE SUBJECT TO REPLACEMENT BY COMMUTER AIRLINES

Points suspended-----	58
Northeast-----	28
Southeast-----	11
South Central-----	9
Midwest and Plains-----	7
Pacific and Rocky Mountains-----	3
Markets (city-pairs) involved-----	86

Sources: CAB Report, Oct. 31, 1971.

On March 24, 1972, the Air Line Pilots Association moved that the Civil Aeronautics Board reopen and hold evidentiary hearings in over 20 cases involving suspension of certificated carrier service pursuant to replacement agreements with commuter airlines or where the Board imposed a condition of commuter airline service as a basis for approving the suspension application. ALPA did not include any of the Allegheny Airline replacement agreements, presumably because the Allegheny pilots would not authorize a filing on their behalf.

In support of its motion, ALPA stated:

1. In all of the above-captioned cases, the Board approved applications by certificated air carriers for authority to suspend service at certain points on their respective route structures.

2. At the same time, the Board approved agreements between the certificated carriers and certain commuter airlines whereby the latter would provide substituted service at the points previously served by the certificated carriers, or imposed such obligation as a condition precedent to approval of the suspended application.

3. In each instance, the commuter airlines were permitted to undertake the performance of service at the points previously served by certificated carriers while maintaining their exemptions as non-certificated carriers under Part 298 of the Board's Rules and Regulations.

4. Furthermore, in each instance, the Board took the foregoing action without holding any hearings or making any findings as to whether certification would be an undue burden on the commuter airlines, or whether the public interest dictated that the transportation service at these points be certificated service.

5. On January 14, 1972, the United States Court of Appeals for the District of Columbia Circuit held that the Board was obligated to hold hearings and make findings on these issues before approving suspensions of service by certificated air carriers and substituted service by non-certificated operators [commuter airlines] at those points, and accordingly remanded three (3) such cases for hearings on those issues before the Board. *Air Line Pilots Association, International v. Civil Aeronautics Board*, F. 2d 79LRRM 2241 (Nos. 24,062, 24,063, 24,226) decided January 14, 1972, C.A.D.C.

The Court's decision in the above-captioned case included the following statement (Slip opinion, pp. 8-9):

It is implicit in the regulatory scheme that service required by the public interest should whenever possible be provided by a certificated carrier, which has been found fit, willing, and able to render it, rather than by an exempt carrier [commuter airline] as to which there is no such finding. The reason, obviously, is greater assurance that required service will be ably provided. That is not to say that such service can never be provided by an exempt carrier [commuter airline]. The arrangements in these cases are not per se invalid. The point is, rather, that in a situation where a carrier as to which there is no finding of fitness undertakes to provide required services previously performed by a carrier found to be fit, there is a presumption in favor of certification which requires that the Board conduct hearings to re-examine the validity of the non-certificated carrier's exemption.

It might be noted, furthermore, that insofar as a non-certificated carrier [commuter airline] received its exemption under Section 1386 (b) (1) on the grounds that certification would be "an undue burden . . . by reason of the limited extent" of its operations, that finding is called into question when the carrier undertakes service previously subject to the certification process. It is unlikely that service which is the subject of certification can be service of a "limited extent" within the meaning of the statute.

We hold, in sum, that, when a non-certificated carrier [commuter airline] substantially takes over the route of a certificated carrier, there is need for a hearing to determine whether the statutory conditions for exemption from certification which were presumably present when the exemption was granted, continue to exist. We leave open, for determination on a case-by-case basis as new fact situations arise, the difficult question of what other situations might call for such a hearing.

COURT DENIES CAB PETITION FOR RE-HEARING

In the latter part of March '72 the U.S. Court of Appeals for the District of Columbia issued an order which denied the CAB petition for re-hearing in the matter of the *ALPA v. CAB* decision. No opinion was issued, and the order was confined to a one-sentence denial.

NOW WHAT?

There are several alternatives available to the CAB: (1) appeal the Circuit Court's opinion to the Supreme Court; (2) accept the decision as it is now written and try to live with it; (3) seek legislation to clarify and liberalize its powers of exemption by amendment of Section 416 of the Act. If the Board decides to follow the legislative route, it might or might not incorporate requested provisions to eliminate any doubts as to its powers to issue "limited" or "commuter" certificates. If the Board feels that amendment and liberalization of its statutory exemption powers will accomplish the purpose of maintaining the legal status quo of regulatory class exemption of commuter airlines, and if it should adhere to its past views that free entry without control should be continued, and that the time is not right for route protection, it could conceivably restrict its proposed legislation to a broadening of its exemption powers to eliminate the doubts raised by the ALPA decision. On the other hand, and in accordance with Sec. 102 of the Federal Aviation Act of 1958, the Board might seize the situation as the opportunity to seek whatever authority is required to improve and expand scheduled air service between more points throughout the United States—markets which are tailor-made for the limited size aircraft operated economically in timely scheduled services by commuter airlines in meeting the needs of travelers and shippers by air and the U.S. Postal Service.

OTHER INTERESTING INFORMATION ABOUT COMMUTER AIRLINES

[From the Air-Tran News, January/February 1972]

COMMENTS FROM CAB CHAIRMAN, SECOR D. BROWNE

In an interview with Aviation DAILY on what he thinks about the air transport industry and what is developing, Browne (as reported in the January 5 DAILY) included the following statements:

Local Service Carriers—As a class, the local service carriers have done an excellent job of cutting costs where they could, improving their efficiency and the like. But there comes a point beyond which you can't get more efficient. . . . The real nitty-gritty is the will of Congress that local service be provided and paid for by the taxpayers. In other words, to change the system, they (Congress) will have to change the law. And as far as I can see they show no intentions to do such. (Browne is now awaiting word from the Office of Management and Budget on a subsidy request already made by the Board for local service carriers. Locals asked for \$89.9 million. If the Budget Bureau does not allow for the full amount, Browne said he can still ask Congress for it.)

Commuter Air Carriers—The third level carriers themselves are torn as to whether they want to be regulated or unregulated. Obviously, to be subsidized they must be regulated. There are those carriers who would welcome regulation of their competition and themselves in order to obtain subsidy and perhaps regularize the competition. And there are those who are just as vocal and don't want to assume the burden of reporting, which would be involved in such regulation. Of course, we would be concerned as to just how much of a burden we'd be putting on small operators. We're well aware that there is no such thing as a free lunch and any system of reporting involves more costs.

Commuter carriers are playing a bigger role in service to smaller communities than ever before. And there is a possibility they will play an even bigger role. . .

[Browne said CAB has been "looking into the problem of service to small communities" and that the Board "within the next few months will be coming out with some things that will focus on some of these problems."]

SCHEDULED AIR SERVICE—KEY TO ECONOMIC DEVELOPMENT

From Dr. Irwin P. Halpern, Deputy Assistant Secretary, Policy & International Affairs, Department of Transportation.

One area where we are sure that government action is required is in the regulations which govern the local service carriers and have far-reaching effects on the business of your industry. Some rationalization is clearly in order. In my mind there is no question that something is wrong when we pay a subsidy to

local service carriers to serve a community when a commuter operator could serve it at a profit. Exactly how we will come out in this area is not clear, but changes have to be made.

From Charles Murphy, Director, Texas Aeronautics Commission and 1st V.P., National Association of State Aviation Officials:

I think the time has come to recognize that the future of air transportation very largely depends on the states' political attitude. I don't believe the federal government is willing or able to commit itself to the development of all aspects of the air transportation system. . . . State aviation people are the ones who must obtain the political commitments needed to develop a complete, balanced air transportation system. And those commitments will be forthcoming only if the public demands them.

From V. O. Standish, Jr., President, Chamber of Commerce and President, Economic Development Commission, Great Bend, Kansas:

Every airline that has ever serviced Great Bend has been able to collect a federal subsidy for doing so, with the exception of Air Midwest. They have recently made a proposal to the CAB and the DOT which would provide a small amount of financial assistance. This program is known as P.A.R.T., and our community has supported this program in written communication to Chairman Browne of the CAB and Secretary Volpe of the DOT. We would like to respectfully repeat our support once again for the P.A.R.T. Program or any other alternative program the regulatory agencies would choose to provide which will help our commuter air carrier continue to improve the quality of service to our community and give them the proper financial base from which they can continue to grow.

Comments from statements made at NATC Convention, Las Vegas, Nev., December 1971.

SEPTEMBER 27, 1971, CAB EXAMINER RECOMMENDS 30-PASSENGER AIRCRAFT FOR COMMUTER AIRLINES

In recommending that the CAB abolish the current 12,500-pound gross weight limitation and replace it with a passenger limitation of 30 and a weight limitation of 7,500 pounds payload, CAB Examiner Merritt Ruhlen said it would:

Permit 30 passengers at 200 pounds per passenger with 1,500 pounds available for cargo and mail;

Meet the U.S. postal service's need for a 6,000-pound capacity air mail plane;

Permit substantially expanded service not competitive with certificated carriers;

Meet the needs of short-haul markets too large to serve conveniently with aircraft seating no more than 19 passengers;

Increase the commuter air carriers' range of operations;

Encourage the construction of aircraft seating 30 passengers that will meet FAA requirements and provide amenities air travelers have become accustomed to, such as: pressurization, air conditioning, large and roomy seats, toilets, food service, etc.;

Not apply to operations in Alaska and Hawaii where the Part 298 exemption shall be limited to aircraft having a maximum certificated gross takeoff weight of 12,500 pounds or less.

With respect to the economic and competitive issues associated with the recommended limitation, Ruhlen said:

It is recognized by both the Board and the industry that short haul service by certificated carriers is unprofitable and must be subsidized, directly or indirectly. This is the basis for numerous grants of route authority in heavily traveled medium haul markets to the local service carriers during the last few years.

If commuter air carriers can compete profitably in local service markets, the local service carrier can cut back its service, or request suspension, and pare its subsidy needs. This is the practice under the present regulation. In the Ontario-Los Angeles and Riverside-Los Angeles markets [Hughes] Airwest, in the face of a drastic traffic decline following institution of commuter air carrier competition, discontinued its service. Other carriers, such as Allegheny and Mohawk, have contracted with commuter air carriers to serve some of their weaker markets. Allegheny now subcontracts local routes to nine commuter carriers serving 17 cities.

It is contended that a commuter air carrier's principal advantage in attracting traffic from a certificated carrier is the more frequent scheduling possible with small equipment and that this advantage will be lost with the introduction of large aircraft.

The commuter air carrier must decide on the relative economics of frequent departures as contrasted with greater capacity and when the use of each is more beneficial. The Board should not deny the authority merely because management might make the wrong decision.

It is also contended that modification of the weight limitation will enable the unlicensed commuter air carrier to compete with the certificated carriers and, perhaps, force them to withdraw their services, leaving such markets subject only to the whims of the unregulated commuter air carriers.

With the present extensive high-speed highway system available throughout the United States short haul air transportation provides limited benefits *vis-a-vis* other forms of transportation. In non-isolated low density short haul markets the availability of air transportation should be decided in the market place. It should be provided only if the public will support it. It is contrary to the public interest to continue to protect such markets from the possibility that a commuter air carrier might not continue a service it has inaugurated.

Based on an NATC opinion poll, 89.7% of the participating commuter airlines voted in favor of the examiner's initial decision.

[From the Air-Tran News, November/December 1971]

FRONTIER AIRLINES REQUESTS DISCLOSURE OF COMMUTER AIR CARRIER TRAFFIC FOR ALL MARKETS SERVED JOINTLY WITH LOCAL SERVICE CARRIERS

Claiming that commuter air carrier traffic data is relevant and material to the issues in the Part 298 Weight Limitation Investigation, Frontier has filed for an order authorizing disclosure of the traffic data reported by commuter air carriers in Schedule T-1 of CAB Form 298-C. The request for disclosure is limited to those markets served jointly by local service carriers and commuter air carriers, but excludes any such market served by a trunk-line carrier.

Section 298.66 of the Board's Economic Regulations provides that data on Schedule T-1 shall not be disclosed, subject to specified exceptions. One of the exceptions provides for disclosure to parties to a proceeding upon a determination that the data are relevant and material to the issues in the proceeding. (On October 26, 1971, CAB issued Order 71-10-115 in the *New England Service Investigation*, granting motion of the State of Maine that commuter air carrier data on Schedule T-1 be disclosed.)

FRONTIER STATED

One of the principal issues in this case is the potential impact upon subsidized local service carriers of the use of larger aircraft by commuter air carriers. The traffic data requested by Frontier will provide the Board with the latest available information regarding the commuter air carriers' present traffic participation in markets where they compete with local service carriers. Frontier believes that this information will help the Board assess the present, as well as future, effect which commuter air carriers may have upon subsidized services.

The Board's decision in this case will have a far-reaching effect upon the future of airline service in the United States, and particularly to the many small communities now served by local service carriers. The information requested herein will be a valuable supplement to the evidence compiled during the hearing, and Frontier submits that its disclosure could well be vital to the Board's decision in this investigation.

SOMETHING TO PONDER (AN EDITORIAL)

As a rule of thumb, commuter air carriers elect not to operate in markets served by certificated carriers (local service or trunk). But there's an exception to every rule. And the exception is usually prompted whenever a market is not receiving an adequate level of scheduled service ranging from early morning to late evening departures and arrivals. Then a commuter steps in. Not necessarily to compete. But primarily to complement and supplement the services of the certificated carriers in response to public demand. The record clearly indicates that commuter air carriers have developed specific markets where the certificated carriers

have failed with their ill-timed and infrequent schedules. If the Board issues the proposed order for the disclosure of traffic data, then perhaps it should also plan to study the relationship between market development and frequency of service by both classes of carriers. The results could be most interesting as they would undoubtedly reveal that it is not necessarily the size of the aircraft that should be the primary concern of the local service carriers, but rather their own inability to develop specific markets by providing an adequate level of service with appropriate aircraft. This begs the question :

WHAT EFFECT WILL LARGER AIRCRAFT OPERATED BY COMMUTER AIR CARRIERS HAVE ON LOCAL SERVICE CARRIERS AND WHAT EFFECT WILL THEY HAVE ON THE COMMUTERS' FREQUENCY OF SERVICE?

If any commuter air carrier feels it can continue to provide an adequate level of service with larger aircraft ranging from early morning to late evening departures and arrivals, and if that in turn leads to the suspension or termination of service by the local service carrier at any point involving a short-haul low-density market, so let it be in the public interest and the interests of American taxpayers. Although a few local service carriers are in touch with the real world, others must learn to honor their certificates of public convenience and necessity for what they are. And whenever they find they cannot economically provide an adequate level of service to any certificated point for any given reason, then they should welcome the supplemental services of the commuter air carriers. There's no better way for serving the nation and the public. After all, who comes first? The carriers or the traveling and shipping public?

January 26, 1971—Commuter Airlines request DOT to consider feasibility of funding development of prototype aircraft for low-density short-haul markets following completion of CAB's part 298 weight limitation investigation.

Production of the next generation aircraft for the commuter airline industry could hold as much promise for the U.S. aerospace industry as the production of a limited number of SST's with service to a far greater number of people.

APPLICATION OF "GOVERNMENT GUARANTEE OF EQUIPMENT LOANS" TO COMMUTER AIRLINES

Sen. Howard W. Cannon (D-Nev.), Chairman of the Senate Aviation Subcommittee, has introduced S. 2741 wherein :

Local service carriers would be able to get federal loan guarantees of \$30 million rather than the present \$10 million ;

Local service carriers would be able to refinance present aircraft ;

The existing Act scheduled to expire next year would be extended for five years ;

Administrative changes would be made to make it less burdensome and time consuming with the intent of encouraging its use by local service carriers.

BANKER'S REACTION TO S. 2741

In commenting on S. 2741, Raymond V. Nelson, Jr., Vice President, the Chase Manhattan Bank, stated that broad support for the proposed amendments to the existing Act "might be better achieved if the bill were to include provisions for guaranteeing loans made to Commuter Air Carriers." Nelson reasoned that in theory at least, the regional air lines should be able to obtain financing as long as the government will provide adequate subsidy and/or fares which should permit profitable operations under honest, efficient, and economic management. As we understand it, this is the intent of the Federal Aviation Act. If a certificated air carrier is not economically viable because of deficiencies in its management or subsidy or fares, then a guarantee per se should be insufficient to permit the granting of loans. Nelson also claimed that another problem with the existing Act which S. 2741 will not cure is that the financing institutions may still be required to bankrupt and liquidate a defaulted air carrier before the guarantee will be effective. This fact alone, he stated, will continue to render the Act, even as amended, relatively useless from our point of view.

Perhaps the most significant reaction to the "Government Guarantee of Equipment Loans" is Mr. Nelson's philosophy that if the uneconomic routes of the local service airlines can be profitably flown with the equipment which may become

available soon to the commuters, then there may be more reason for a guarantee program which could be of great help to small country banks who lack airline financial expertise, but would be interested in financing the local commuter airline for the economic benefits which would accrue to the local area. This could be a real economic benefit to the small town, while at the same time relieving the U.S. taxpayer of the obligation of supporting the local service by a regional through subsidy.

COMMUTER AIRLINES REACTION TO JOINT DOT/NASA CIVIL AVIATION RESEARCH AND DEVELOPMENT POLICY STUDY

Among other things, the study:

Recommends that CAB, in conjunction with DOT, conduct demonstration studies concerning the use of *small aircraft* in low-density short-haul markets with *appropriate subsidy* to the participating carriers.

Recommends that the government fund studies for conceptual design and analysis of low-density, short-haul aircraft.

Comments on the high subsidy payments to local service carriers (more than \$1 billion) by declaring that: The future potential for such service (scheduled air service to small communities) as a tool for regional development is such that current emphasis on this neglected segment of air transportation is warranted. Judicious use of subsidies to support the actions recommended above could result in the reduction or elimination of future subsidy requirements while providing impetus to the low-density, short-haul segments of air transportation.

Although recognizing that subsidy to the local service carriers is a sensitive and delicate issue, some commuter airlines feel that the DOT/NASA comment for judicious use of subsidies for supporting air transportation to small communities is in basic accord with their suggestion that the CAB consider de-certification of each marginal point that is failing for one reason or another to produce a sufficient level of traffic (passenger and cargo) to support an adequate level of service by the incumbent local service carrier. This suggestion prompted the following questions:

1. Would such action reduce the losses of local service carriers and thus make them less dependent on federal subsidy?
2. Would it lead the local service carriers to increased profitability?
3. Would it set the stage for commuter air carriers to serve such points, and other points, with little or no subsidy?
4. Would it motivate commuter air carriers to develop the resultant markets to their true potential by providing an adequate level of service ranging from early morning to late evening departures and arrivals?
5. Would it expand and improve air mail service to more small communities at a justifiable cost?
6. Would it help generate new travel to destinations everywhere and thus feed connecting traffic to the certificated carriers as never before?
7. Is it the only logical answer to the SCOPE CLAUSE in ALPA contracts with local service carriers wherein the carriers are prohibited from entering into replacement service agreements with commuter air carriers even though such agreements could, and would, lead to better service for travelers and shippers by air at far less cost to the government and the carriers?

THE QUESTIONS REMAIN UNANSWERED

In FY '70 the local service carriers enplaned 4,053,451 passengers at subsidy-eligible D & E stations. For such service they received over \$34 million in Federal subsidy. (In FY '71 the subsidy was over \$58 million.) During the same period the commuter airlines carried approximately the same number of passengers (over 4 million) for which they did not receive a single penny of support from U.S. taxpayers through subsidy. (Their sole support is through the fare box.) Yes . . . the commuter airlines are indeed doing an impressive job without subsidy under the American "free enterprise" system and could possibly replace local service carriers at many marginal points and pioneer service to hundreds of other small communities with little or no financial assistance from the Federal Treasury.

JOINT PETITION OF THE LOCAL SERVICE AIR CARRIERS FOR AMENDMENT OF PART 298

In the petition filed January 14, 1972, (Docket 24123) the ten participating local service air carriers agreed that:

- (1) The commuter airlines are becoming a significant force in U.S. air transportation, going beyond the purposes envisioned by the Board when it decided not to regulate competitive operations with small aircraft;
- (2) This unregulated competition represents a significant threat to the economic health of both the local service and commuter industries;
- (3) This unregulated competition, by diverting traffic, is increasing the subsidy need of the local service carriers; and
- (4) Continuation of such unregulated competition threatens the entire legal foundation of Part 298.

What the local service carriers' petition failed to include was:

- (1) recognition that the commuter airlines are carrying approximately the same number of passengers without subsidy as the local service carriers are enplaning at subsidy eligible D & E stations at high subsidy;
- (2) recognition that the local service carriers could help improve scheduled air service to many communities by suspending service at marginal points and relying on commuter airlines to serve such points at little or no subsidy;
- (3) recognition that the services of commuter airlines are not actually "competitive", but rather complementary and supplementary to the services of the certificated carriers in the public interest;
- (4) recognition that the commuter airlines have pioneered scheduled air service between airports the certificated carriers are unable to serve with their large aircraft, thus developing new markets in response to public need; and
- (5) recognition that the commuter airlines have earned the respect, appreciation and thanks of many communities for their timely scheduled and reliable air services.

SUMMARY ANALYSIS OF PETITION

The local service carrier proposed amendments to Part 298 of the CAB's Economic Regulations would prohibit any commuter airline from providing regularly scheduled passenger service (five or more round trips a week) pursuant to published schedules between any pair of points (including an area within 50 miles of any airport serving either of such points) which a certificated air carrier is *authorized* to serve pursuant to certificate or exemption or which a commuter airline:

- (1) Actually served for four months prior to January 14, 1972 (i.e. has "grandfather" rights);
- (2) Holds exemption authority to serve the pair of points;
- (3) Is providing service pursuant to an agreement with a certificated carrier approved by the CAB; or
- (4) Receives a "competitive service authorization" as defined by the petition issued by the CAB to provide the service.

To obtain a "competitive service authorization" a commuter airline or potential commuter airline in the market involved would have to file a detailed application with the CAB setting forth the points to be served, schedules, equipment to be used, supporting data, reasons why the service is in the public interest and reasons why the service will not affect any certificated carrier *authorized* to provide or commuter airline service *providing* scheduled service in the market. Any interested person would have 30 days to file an objection to the application. The application would be subject to an *absolute veto* by the affected certificated carrier or commuter airline, for, under the proposal, no "competitive service authorization" could be issued if any authorized certificated air carrier, or commuter airline providing passenger service in the markets, objects. Even without such objection, the Board could issue a "competitive service authorization" only if it determined that the "competitive service" will be consistent with the public interest.

Under the local service carriers' proposal, neither grandfather rights nor "competitive service authorizations" would be transferable, except to certain persons who essentially stand, as a matter of law, in the same legal position as the original holder, such as administrators, executors, trustees, guardians or surviving partners, and even in the latter situation, the succession would last only six months and the successor would have to apply within 120 days after succession for a "competitive service authorization".

The local service carriers' proposal would also eliminate the current exemption from the requirements of Section 408(a), requiring CAB approval of acquisitions, mergers, lease arrangements, and control relationships, for any commuter airline authorized to provide service in a competitive market, even though it acquired or held such authority under grandfather rights and even though it was the original carrier in the market.

While on a superficial review, the local service carriers' proposal might appear to represent a reasonable compromise measure (from the standpoint of the certificated carriers) of providing route protection for both certificated carriers and commuter airlines on their existing routes, close analysis of the proposal shows that it is designed to reverse the long-standing policy determination of the Board, that service by commuter airlines with small equipment is not competitive with the large aircraft operations of the local service or other certificated carriers; to prevent any expansion of commuter airline services in areas *authorized* to be served by local service air carriers, including the major metropolitan areas, when commuter airline services have been most successful; to provide for the gradual elimination through attrition of all commuter airline services in areas authorized to be served by certificated air carriers and to undermine the financial stability of the commuter airlines.

NATC COUNSEL'S OPINION

The Commuter Air Carrier Conference of NATC should not, even optically, support the local service carriers' proposal, but oppose same on general principles and submit its own independent rule-making proposal.

[From the Air-Tran News, January/February 1972]

COMMUTERS REQUEST DIALOGUE WITH LOCAL SERVICE CARRIERS

Recent developments concerning the commuter air carrier industry have prompted the Commuter Air Carrier Conference to request a dialogue with the local service carriers. A ten-man ad hoc committee consisting of members and/or members' counsel was appointed.

In announcing the appointees, J. L. Seaborn, Chairman, CACC, stated that every attempt was made in the selection process to assure adequate representation of the membership—geographically and philosophically.

AD HOC COMMITTEE

J. L. Seaborn, President, Metro Airlines¹
 Fred L. Austin, President, Golden West Airlines
 Karl P. Baldwin, President, Air Wisconsin
 Tristram C. Colket, President, Altair Airlines
 Mark Chestnutt, President, Cascade Airways
 Edward A. Deeds II, President, Air North
 Joseph Fugere, President, Pilgrim Airlines
 Richard A. Henson, President, Henson Aviation*²
 J. Dawson Ransome, President, Ransome Airlines*
 Bartlett M. Shaw, President, Air South²
 Joseph C. Whitney, President, Air New England

¹ Chairman, CACC; Chairman, NATC Board; Member CACC Executive Committee and ex officio member of ad hoc committee.

² NATC Director and Member CACC Executive Committee.

* Allegheny Commuter.

DEVELOPMENTS PROMPTING ACTION

Petition of ten local service carriers filed on January 14, 1972 with CAB seeking route protection for themselves and commuter air carriers.

"Working Paper" of February 7, 1972 by NATC legal counsel, Theodore I. Seamon, in response to petition of local service carriers.

Decision of U.S. Court of Appeals of the District of Columbia—ALPA v. Civil Aeronautics Board (January 14, 1972). (ALPA challenged CAB's policy of transferring certificated routes to commuter air carriers under suspension-replacement agreements without public hearings.)

Report and recommendations by ad hoc committee on limited certification or other measures directed toward similar ends (January 30, 1972).

Civil Aeronautics Board's proposed experiment for service to small communities. On January 28, 1972 the CAB announced plans to seek a special appropriation and special statutory authority to test the competitive bidding method for obtaining and selecting air carriers to provide air service to small communities. (For story, see page 16.)

CAB's plans with respect to the New England Investigation Case.

NASAO's never-ending interest in the need to improve and expand scheduled airline service throughout each state.

Examiner's Initial Decision in the Part 298 Weight Limitation Case and certificated carriers reactions.

Possible Congressional hearings on S. 796 "Limited Air Carrier Act of 1971" and H.R. 11043 "Commuter Air Carrier Act of 1971".

FIRST STEP TAKEN

By letter of February 15 to General Joseph P. Adams, General Counsel and Executive Director, Association of Local Transport Airlines, NATC President Thomas S. Miles took the first step in pursuing the opportunity for the proposed dialogue. "The thought has been expressed," said Miles, that "perhaps the first meeting should be between the presidents or chief executive officers of the carriers for the purpose of reviewing operating philosophies, etc. and plans for facilitating the commuter air carriers' continuous contributions to the growth and development of the nation's air transport system." Miles further emphasized that the ad hoc committee would be receptive to any approach suggested by the local service carriers for pursuing the opportunity to achieve the mutual objectives of both classes of carriers in the national and public interests.

[From the Air-Tran News, April 1972]

ALPA DECLARES LOCAL SERVICE CARRIERS' PROPOSAL UNSOUND

On March 24, 1972, the Air Line Pilots Association filed an answer to the joint petition of the local service carriers for amendment of Part 298. ALPA's opening statement included the following:

For the reasons stated in the Carriers' Petition, and for other reasons, the prompt institution of public rule making proceedings to amend the current provisions of Part 298 of the Economic Regulations is urgently required, but the specific amendments proposed by the Carriers are not sufficiently responsive to the changed circumstances requiring new rule making, and a more stringent amendment is compelled by the facts, the law and the public interest.

Part 298 must be revised in order to confine the exemption within its proper statutory scope, to protect the public against erosion of certificated service, to prevent the waste of federal subsidies, and to meet the service needs of small communities in a manner consistent with sound economic and safety practices. All of these objectives must and can be met. As we now show, an amendment of Part 298 which confines EXEMPTED SERVICE to the scope originally intended by Congress would serve this essential service.

Without defining a proposed rule, ALPA declares that the Board should redefine the air taxi class exemption to exclude commuter airlines and confine the scope of the exemption to "occasional, incidental, irregular and non-competitive flying" of the type which was the intent of Congress in the original Civil Aeronautics Act of 1938. ALPA argues on the basis of legislative history and the Court decision in the ALPA v. CAB case that Part 298 is illegal as an exemption for commuter airline services as we know them today and quotes from legislative history to conclude that the exemption power was intended only to cover incidental services by "small fry" of a type which had not economic impact, where the operations in transportation were limited to casual or occasional carriage of persons and property.

ALPA WANTS FULL CAB CERTIFICATION FOR COMMUTER AIRLINES

ALPA notes further by general intentment of the legislation that "the certificate" should be the means of authorizing air transportation to provide route protection and financial stability. Its suggested solution and proposed general

redefinition would, if carried forward literally, eliminate all commuter services and all commuter services authorization, but ALPA does not suggest any saving provision. Presumably, it would be ALPA's unwritten view that all such services be authorized by conventional certificates.

In the local service carriers' petition of January 14, 1972, the statement was made:

One possible solution is the outright and immediate cessation of commuter operations. The locals emphatically reject such a drastic measure. The commuter industry should not be penalized for reliance on past Board policy, nor should the public be deprived of useful services. On the other hand, neither group of carriers nor the public should be compelled to endure a regulatory scheme which is not only obsolete but dangerous. The answer lies somewhere between these two extremes, in a regulation that recognizes both the rights and responsibilities of the commuter airlines while at the same time honoring the Board's statutory obligation to develop a sound transportation system.

Ed's Note: Full CAB certification applicable to commuter airlines would kill the industry. Is this what ALPA wants? Could it be that ALPA is embarrassed by the role it has played, and is playing, in molding the conditions which make it uneconomical for local service carriers, despite millions in federal subsidy, to serve marginal points pursuant to their certificate obligations? Could it be that rather than share the blame and accept the cure, ALPA would prefer to deny scheduled air service to hundreds of communities that are relying on commuter airlines to fulfill their air transportation needs, or as an alternative to continue to expect Congress to subsidize a system that is less than responsive to the needs of many subsidy-eligible D & E points? Many ALPA member pilots do not share or support their Association's current position on the issue. And for that the industry and the public can be thankful.

SURVEY OF 50 STATES

19* States regulate intra-state operations of commuter airlines:

Alabama	Michigan	Tennessee
Alaska	Minnesota	Texas
Arizona	Montana	Utah
Arkansas	Nebraska	Vermont
California	Nevada	Virginia
Idaho	N. Dakota	
Illinois	Pennsylvania	

19* States require commuter airlines to do for intra-state carriage what the CAB will not permit them to do for *interstate* carriage—i.e. file passenger and freight tariffs and secure approval before implementing same.

Same states as above with following exceptions: Add: Colorado and Wyoming; delete: Michigan and Minnesota.

The states apply such regulations even though the majority of traffic carried by such carriers originates in, or is destined to, another state. Are such state regulations contrary to the intent of Part 298 of the CAB's Economic Regulations with respect to the carriage of interstate traffic?

9* States require CAB certificated air carriers to file passenger and freight tariffs covering their intra-state operations:

Alaska	Hawaii	Montana
Colorado	Illinois	Pennsylvania
Connecticut	Minnesota	Vermont

14* States that have not as yet adopted regulations governing the carriage of intra-state traffic in regularly scheduled service by commuter airlines say they have such regulations under consideration or are considering the drafting of such regulations:

Florida	Maine	Ohio
Georgia	Maryland	Oklahoma
Idaho	Nevada	S. Dakota
Kansas	New Jersey	Washington
Kentucky	N. Carolina	

*Responses from some states were given with certain qualifications. Source: CACC Survey, September 1971.

COMMUTER AIRLINES WOULD APPRECIATE STOL TYPE RUNWAYS AT MAJOR AIRPORTS

To use "STOL STRIPS" on non-interfering basis for purpose of relieving congestion and reducing costs in exchanging connecting traffic with major airlines.

SEPARATE APPROACHES AT MAJOR AIRPORTS

To use such approaches on non-interfering basis with major airlines.

INSTALLATION OF TOWERS AND INSTRUMENT LANDING SYSTEMS AT SMALL COMMUNITY AIRPORTS

To maximize opportunities for providing safe, reliable, dependable and economic scheduled air service.

APPROPRIATE AIRPORT FACILITIES FOR PASSENGERS, BAGGAGE AND CARGO

To better serve travelers and shippers by air, the majority of whom are delivered to or received from the major airlines.

INTEGRATION OF SCHEDULES IN OFFICIAL AIRLINE GUIDE

To permit the marketing of commuter airline services on an equal footing with the services of the certificated air carriers.

JOINT FARES WITH MAJOR AIRLINES

To motivate more people to travel "all the way by air" by making air transportation more competitive with "travel by car". To eliminate discrimination in air transportation by offering citizens residing and/or doing business in communities not served by certificated air carriers the same low fares available to citizens traveling from and to certificated points.

APPROPRIATE REPRESENTATION AT MILITARY POSTS AND CAMPS THROUGH

Participation in Interline Ticketing & Baggage Agreements with the major airlines; and/or

Participation in SATOs (Scheduled Airline Ticket Offices).

Military personnel deserve the right to go to one Full Service Local Traffic Office at each military installation for complete air travel information including reservations and ticketing covering the services of all classes of carriers (trunk, local services and commuter).

PERMISSION TO MARKET PASSENGER AND CARGO SERVICES THROUGH PUBLICATIONS OWNED AND OPERATED BY THE MAJOR AIRLINES

To better serve the transportation specialists (airlines, travel agents, corporate traffic managers, etc.) who route travelers and shipments by air.

FAA PLANNING REVIEW CONFERENCE, WASHINGTON, D.C., MAY 2, 1972

Thoughts on commercial aviation's particular needs as an aspect of general aviation requirements by A. Martin Macy, Vice President Operations National Air Transportation Conferences, Inc.

EXCERPTS AND SUMMARY

As air carriers operating under Part 298 of the Economic Regulations of the Civil Aeronautics Board and Part 135 of the Federal Aviation Regulations, commuter airlines have the same basic requirements in the operation of light aircraft as do the major airlines in the operation of their large jets with respect to airports, air navigation facilities, reasonable air traffic control procedures, etc.

COMMUTER AIRLINES NEED CONVENIENT ACCESS TO AIRPORTS AND TERMINALS SERVED BY CERTIFICATED AIRLINES

The majority of commuter airlines are in business for one reason: to exchange traffic (passenger and cargo) with the major airlines (trunk and local service

carriers). Because of this characteristic, "reliever airports" are of little or no value to many commuter airlines until such time as circumstances make it economically feasible for them to provide inter-city, or suburb to city-center, service not involving connections to major airlines.

The FAA's major role in this commuter airline requirement for access to certificated carrier airports is to encourage each airport sponsor and/or authority to give thoughtful consideration to the requirements of the commuter airline industry. "All too often commuter airlines and the operators of small charter aircraft are lumped in with the entire group of *general aviation* and no particular consideration is given to their needs."

STOL APPROACHES—STOL STRIPS

A number of major airports in the United States have STOL strips of one kind or another which can be used, and are being used, by commuter airlines. Very few such airports have separate, non-interfering, STOL type instrument approaches. In many cases the STOL strips are usable only when the weather is VFR. Just as STOL aircraft have certain flight characteristics which make them STOL, so they also have certain flight characteristics which lend themselves to separate instrument approaches. "We are aware that an air traffic control system with the responsibility for handling many large jets is not likely to have a lot of time and interest left over in working out specific procedures for commuter airlines with different operating characteristics from the jets. We do believe, however, that it is a job that badly needs to be done and can really only be done by FAA's Air Traffic Service. We had hoped that the V/STOL SPO which had made such a good start in encouraging the building and design of STOL strips would be more effective than it has been in getting ATS to progress a little faster with STOL type instrument approaches."

FACILITIES ESTABLISHMENT CRITERIA

In establishing priorities on the use of FAA funds for control towers, electronic navigation aids, etc., "Air Commerce Airports" (those served by "scheduled air carriers") take precedence over "General Aviation Airports" (those without "scheduled air carrier service"). For example, it requires more than twice as many "annual itinerant operations" to qualify for an FAA Control Tower at a "General Aviation Airport" as it does at an "Air Commerce Airport." Although the word "certificated" does not usually appear in FAA's criteria when the phrase "scheduled air carrier" service is used, FAA *interpretation* of the phrase seems to include it. What this means is that a community served on a scheduled basis only by a commuter airline with 10 flights a day does not receive the same consideration for airport facilities as does a community served with two flights a day by a certificated carrier. This violates the principle of investing money to maximize safety for the greatest number when there is a limit on what can be spent for airport facilities in any given period. "The only answer received from the FAA in response to a request for clarification of this policy is that the commuters are undependable and are 'here today and gone tomorrow.' We believe quite strongly that a statistical review of the last 5 to 10 years would show a significantly higher number of communities which have lost all air service because of a pullout by a certificated carrier, than have lost service by the disappearance of a commuter airline. We strongly urge the FAA to recognize the simple fact of life that service by a commuter airline does constitute scheduled air carrier service and does mean that the airport served is an 'air commerce airport.'"

The lack of knowledge within the FAA of the commuter airline industry; the lack of awareness of its mission, potentialities, and prob-

lems is truly discouraging when one realizes that the industry carried over 4.3 million passengers in fiscal year 1971. The potential for growth in service to the Nation and the public is tremendous. Fulfillment is dependent upon the help and understanding of the Federal Aviation Administration.

RESPONSE TO CAB PROPOSAL TO TEST "COMPETITIVE BIDDING METHOD" FOR OBTAINING AND SELECTING AIR CARRIERS TO PROVIDE AIR SERVICE TO SMALL COMMUNITIES

PROPOSAL'S MAIN FEATURES

All carriers (trunk, local service and commuter airlines) could submit bids to provide the service specified by the Board.

Additional service could be provided by commuter airlines independently of the contract.

Contract awards, based on bids by reliable, responsible carriers and subject to performance safeguards, would be for two or three years.

Contractors would have no vested grandfather type rights for follow-on contracts that might be awarded.

Renegotiation rights during the life of the contract would be precluded, thus barring the likelihood of uneconomic bids. The Board also would screen out unrealistic bids and each contractor would have to provide financial guarantees which would assure completion of the contract and, in the event of failure provide funds for immediate substitution of service by a substitute carrier.

Minimum standards for filing bids would include corporate financial condition, insurance, officer and employee experience, compliance with safety standards.

The staff (CAB) and community would together develop specifications for service that would fulfill the community's needs.

REACTION FROM COMMUTERS

Members of the industry attending a Commuter Air Carrier Conference meeting on January 30, 1972, agreed that the Conference should withhold its comments until the proposal is formally presented to Congress. However, of particular concern to some commuters were such questions as: "What happens in the interim to the commuter air carrier concept for improving and expanding scheduled air service between more communities throughout the U.S.A.? If the CAB TEST is going to take three years, is the Board going to call a moratorium on all proposals concerning the development of the commuter air carrier industry and its possible implications on marginal points served by local service carriers at high cost to the federal treasury?" Would this be in the national and public interests? Can some commuters, can some communities, afford to wait three years?

Senator CANNON. Next we have Mr. Baldwin, president of Air Wisconsin.

STATEMENT OF KARL P. BALDWIN, PRESIDENT, AIR WISCONSIN, INC.

MR. BALDWIN. I want to thank the chairman and the committee for permitting Air Wisconsin and the other commuter airlines involved here to express their opinion and to illustrate to the committee what the commuter airlines do and how important we are to the transportation industry.

At this particular moment, and only for a very short brief period, I am representing the other carriers mentioned. They will make their own individual presentations telling you about their own operations.

What I am authorized by these other four carriers and Air Wisconsin is to state we are very strongly in support of the Pearson bill. There

are some minor amendments that we have recommended for that bill and we have copies of these amendments which have been prepared and we present them here today.

(The material follows:)

PROPOSED REVISION OF SENATOR PEARSON'S LIMITED AIR CARRIER ACT SUBMITTED ON BEHALF OF AIR SOUTH, AIR WISCONSIN, ALTAIR AIRLINES, CASCADE AIRWAYS, AND ROYALE AIRLINES

[CHANGES IN ORIGINAL BILL INDICATED BY ITALIC]

A BILL To amend Federal Aviation Act of 1958, as amended, to authorize the establishment of a class of commuter air carriers 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 "Commuter Air Carrier Act of 1972."

SEC. 2. The Federal Aviation Act of 1958 as amended, is further amended as follows:

(a) Section 101 (49 U.S.C. 1301) is amended by redesignating paragraphs (34) and (35) as (36) and (37) and by inserting the following new paragraphs:

"(34) '*Commuter air carrier*' means an air carrier holding a certificate authorizing it to engage in *commuter* air transportation.

"(35) '*Commuter air transportation*' means air transportation by aircraft rendered pursuant to a certificate of authority issued pursuant to section 401(d) (4) of this Act to provide scheduled service with aircraft of limited capacity."

(b) Section 401 (49 U.S.C. 1371) is amended by adding the following new paragraph to subsection (d) thereof:

"(4) In the case of an application for a certificate to engage in *commuter* air carrier transportation the Board may issue a certificate *with or without a hearing* to any applicant not holding a certificate under paragraph (1), (2), or (3) of this subsection, authorizing the whole or any part thereof, and for such periods as may be required in the public interest, if it finds that the applicant is fit, willing, and able properly to perform the transportation covered by the application and to conform to the provisions of this Act and the rules, regulations, and requirements of the Board hereunder.

"In the event (i) an applicant is conducting operations as a *commuter* air carrier on the effective date of the *Commuter Air Carrier Act of 1972* and (ii) such application has been filed with the Board within 30 days after such effective date, then such applicant may conduct such *commuter* air carrier operations until such time as the Board shall have ruled upon the application *and shall be issued a certificate authorizing such commuter air carrier operations if found fit, willing, and able properly to perform such operations.*

"The Board shall not be required to find that public convenience and necessity require the issuance of a *commuter* air carrier certificate, but shall adopt such rules and regulations and requirements as it may deem in the public interest to implement and enforce the policies set forth in section 102 of this Act, *including a proviso that a computer air carrier shall not receive subsidy for service to a subsidy eligible point receiving parallel service from a subsidized local service carrier, unless the Board relieves the local service carrier of its obligation to serve such point.*

"Any certificate issued pursuant to this paragraph shall contain such limitations as the Board shall find necessary to assure that the service rendered pursuant thereto will be in accordance with the purpose of *commuter* air transportation."

(c) Section 401 (49 U.S.C. 1371) is amended by adding before the period at the end of paragraph (4) of subsection (e) the following: "*or in a certificate for commuter air transportation, when required by subsection (d) (4) of this section, the Board shall limit the capacity of the aircraft to be used.*"

(d) Section 401 (49 U.S.C. 1371) is amended by adding the following new subsection:

"(o) (1) No certificate to engage in *commuter* air transportation shall be issued or remain in effect unless the applicant for such certificate or the *commuter* air carrier, as the case may be, complies with regulations or orders issued by the Board governing the filing and approval of policies of insurance, in the amount of such insurance, amounts for which such applicant or such *commuter*

air carrier may become liable for bodily injuries to or the death of any person, or for loss or damage to property of others, resulting from the negligent operation or maintenance of aircraft under such certificate.

"(2) If any service authorized by a certificate to engage in *commuter* air transportation is not performed to the minimum extent prescribed by the Board, it may by order, entered after notice and hearing direct that such certificate shall thereupon cease to be effective to the extent of such service.

"(3) The requirement that each applicant for a certificate to engage in commuter air transportation must be found to be fit, willing and able properly to conform to the provisions of this Act and the rules, regulations and requirements of the Board under this Act, shall be a continuing requirement applicable to each commuter air carrier with respect to the transportation authorized by, and currently furnished or proposed to be furnished under, such carrier's certificate. The Board shall by order, entered after notice and hearing, modify, suspend, or revoke such certificate, in whole or in part, for failure of such carrier (A) to comply with the continuing requirement that such carrier be so fit, willing and able, or (B) to file such report as the Board may deem necessary to determine whether such carrier is so fit, willing and able.

"(4) The Board shall prescribe such regulations and issue such orders as may be necessary to carry out the provision of this subsection and to enable commuter air carriers to operate as economically as possible."

(e) Section 403 (49 U.S.C. 1373) is amended by inserting in the first sentence of subsection (a) after the words "Every air carrier," the following: ", except a commuter air carrier"; and, by inserting in the second sentence after the word "prescribe" the following: ", except that a commuter air carrier may elect to file, post, and publish tariffs or may be directed to do so by the Board.

SEC. D. This Act shall become effective ninety days after date of enactment.

Briefly, we want to change "limited carrier" to "commuter air carrier." We would prefer to continue to be known by our old name of commuter air carrier. We have also asked for the CAB to have the authority to award commuter certificate either with or without a hearing at their discretion. And there would be a grandfather clause installed in the act if our amendments are accepted, so that those of us who have operated over routes in the past will be permitted to continue, if we are found fit, willing, and able to do so.

Recognizing the possibility of subsidy, we have asked that a prohibition be put in the act against subsidy where commuters would be operating in direct competition with local service carriers unless the CAB determined that the commuter should be substituted or furnish additional service at that point.

Another question that we have raised in our requested amendment is for the Civil Aeronautics Board to issue a new set of regulations, that would permit the commuters to operate within their sphere of influence as economically as possible.

It is accepted that the full import of 121 regulations would be an undue burden upon us. However, many of the other reporting requirements would not.

Finally, one point which Mr. Tom Miles just brought up, we would like to file our tariffs. Now, Air Wisconsin petitioned the Civil Aeronautics Board for permission to file freight tariffs, and through an exercise in semantics which is very surprising, the CAB interpreted an exemption to mean a prohibition. It is something that is not within the dictionary definition of the word, but our petition was twice turned down. Once, surprisingly, it was permitted and 3 days later it was called off.

To get back to my particular presentation about Air Wisconsin. My name is Karl Baldwin. I am an attorney. I practice law in my home-

town of Appleton, Wis., which is also home base for Air Wisconsin, Inc., of which I am president.

Air Wisconsin is a commuter air carrier as defined in part 298 of the Civil Aeronautics Board's economic regulations. The pattern of service it has developed, however, is that of a local service and feeder airline. The local service it provides is scheduled air transportation to four smaller communities in Wisconsin (Appleton, Sheboygan and the hyphenated cities of Wausau-Stevens Point) and three in Indiana (Elkhart, Lafayette and Kokomo).

The passenger and air freight traffic thus generated is carried into and from three major airports, namely our No. 1 hub, O'Hare at Chicago, Minneapolis/St. Paul International Airport in Minnesota and Weir Cook Airport at Indianapolis, Ind.

Of the total 123,582 passengers transported over our entire system in the calendar year of 1971, 110,071 or 89 percent traveled in and out of our No. 1 hub, O'Hare Field. It is also interesting to note that 88 percent of our Chicago traffic, 97,000 passengers, was interlined on other air carriers.

Similarly at Minneapolis, our second most active hub, 78 percent of the passengers were interlined.

Thus the designation of local service and feeder airline would be more descriptive than commuter air carrier, but we are not going to try to get semantics in here further.

There has been a great deal of concern expressed here today, for the questionable future of air service to the small communities of our Nation. I speak as one individual that was motivated by that concern back in 1963.

At that time, as a member of the founding group of Air Wisconsin, our concern was for the business community of Appleton, Wis. North Central Airlines, the regional air carrier serving Appleton's airport at that time was authorized by the Civil Aeronautics Board to discontinue service at the Outagamie County Airport at Appleton, and to serve through the Winnebago County Airport Field at Oshkosh, Wis. That airport is approximately 20 miles south.

Realizing the value of local airline service, concerned businessmen created Air Wisconsin, hired a professional manager who had spent his entire adult life in airline transport management and the company set out to provide the community with a direct air link to commerce and industry.

Air Wisconsin began with two round-trip flights between Appleton, Wis., and Chicago's O'Hare Airport in August of 1965. From this stage the carrier got its footing for expansion.

Today we have 12 flights out of Appleton into Chicago. We have 62 operations at O'Hare Field daily.

Under the direction of Preston Wilbourne, vice president and general manager, the management of Air Wisconsin has fashioned an airline organization that we feel is the equal to any regional carrier in knowledge and experience.

Accompanying my testimony today I have filed with this committee a group of exhibits which, like the exhibits that Tom Miles produced, set forth the full extent of our operations. They contain a description of our flight manuals and maintenance manuals which while we have not included them here, we will gladly supply the committee to show

that these manuals are professional in every respect and not only that, they are enforced.

We do not operate under 135 as it is written. We operate under a far more stringent group of safety rules which we have in our own manuals.

The names of the officers and directors are included. As a matter of fact, we have also included a prospectus and our complete financial statement, an audited financial statement, so you can see we are fit, willing, and able to do the things we have been doing for the last 7 years.

We have now 146 employees. We have 44 line pilots, all on a full-time basis. In addition we have our director of night operations, chief pilot, and assistant chief pilot. All three of them fly in the operation. The captains in command are all ATR-rated pilots. They have a minimum of 2,500 hours of which a thousand hours must have been accumulated in multiengine aircraft. We have our own FAA maintenance system. We have nine qualified mechanics who are qualified to do all except the major overhauls, which as a rule, are sent back to Canada.

We operate four de Havilland Otters and three Beech 99's, all with identical engines, and we manage to maintain two spare engines at all times.

Our passenger reservation system is very excellent indeed. It is centrally located at our general office in Appleton. All stations are linked by a private-line teletype system capable of communication with over 90 airlines.

Under a contract with American Airlines we have availability of space on all major carriers. Thirteen airlines now store Air Wisconsin system availability which gives airline reservations in Los Angeles the availability to sell a connecting space on Air Wisconsin from Chicago or Kokomo in a matter of seconds.

Air Wisconsin has 44 bilateral ticketing, baggage, and air freight agreements with practically every domestic and international airline. You will find that on our illustrated exhibit No. 114.

In addition we have air freight agreements as set forth in 115.

To show the extent of our operation's interlining, our average monthly accounts payable come to around \$110,000 and receivables about \$140,000.

Fortunately for us, within the last year we were admitted to the clearinghouse and this goes through automatically every month. It used to be they were carrying around \$450,000 to \$550,000 in receivables. It was quite a burden on a company as small as we were.

Another thing I would like to point out which Tom Miles brought out as part of the desires of the commuter airlines, and that is the desirability of having joint fares. While the board authorized joint fares some time ago with commuters, the regional air carriers and other carriers were very hesitant about installing them. Now, if you will look at 117, you will find out that we have a tariff with American between Chicago and all our points and New York, and the same with United, TWA, and Flying Tiger for freight tariffs, but our most recent breakthrough is a newly filed tariff with Northwest Airlines which gives us joint fares to practically every point on their system.

Now, up to this point, up to the accomplishment of these joint fares, we were at what I call an unfair fare disadvantage. Twenty miles to our south, North Central could offer tickets to Los Angeles, New York, Miami, and various other places by reason of their joint fares that were substantially cheaper, substantially less expensive. Consequently, I am sure we lost a fair amount of traffic as the result of those. Now, we have become of age; we have joint fares, and we believe we will be in a much better position to conduct a successful operation.

The reason we are here today, the main reason we are here today is we feel that the right of commuter airlines to exist has been challenged both in the courts and before the CAB. As you know, the Court of Appeals for the District of Columbia in the case of *ALPA v. CAB* in the rationale of its decision threw serious doubt over the entire exemption process.

I feel that I am qualified as an attorney, as a practicing attorney, to interpret that decision and I also feel as a qualified attorney I am able to interpret the brief that ALPA has put in before the CAB challenging the substitution process. I am also capable of interpreting the action of North Central in the dehyphenation case in which they threw this decision of *ALPA v. CAB* before the Board—and questioned the right of Air Wisconsin and Midwest Commuter to continue operation under the part 298 exemption. The Board will be faced by a very serious dilemma. It is obviously not in the best interests of orderly development of air transportation systems to permit the unrestrained commuter aircraft to operate with large aircraft in direct competition. Some limitation on aircraft, size or capacity, gross takeoff weight, payload restrictions is desirable.

However, under section 401-E-4 of the Federal Aviation Act as it now stands, the Board is precluded from imposing any such limitation. I have a copy of that provision. If you want me to read it I could. It just says no term or condition can be imposed in any certificate on equipment. It is as clear as that.

Consequently, I cannot understand, I cannot appreciate the position of the Department of Transportation when it says this is not necessary. This legislation is absolutely necessary. We must be certificated in order to continue to live under the court's decision as it now stands.

Air Wisconsin and the other four carriers whom I represent in this one particular phase definitely ask you to report the Pearson bill out favorably and do your utmost to see that it gets prompt action on the floor before part 298 is thrown out completely and we are in a sort of a limbo, not knowing what we can and what we cannot do.

Thank you.

Senator CANNON. The other gentlemen, do they want to appear and supplement your statement?

STATEMENT OF BARTLETT M. SHAW, PRESIDENT, AIR SOUTH

Mr. SHAW. Mr. Chairman, my name is Bartlett M. Shaw, I am president of Air South, a commuter air carrier based in Atlanta. In ence to your time and also a deteriorating throat, I would like to request your permission to not read the testimony which has been filed, but rather just go through it and highlight the more pertinent points.

Senator CANNON. All right, sir.

Mr. SHAW. Air South has been in operation since 1967. We employ approximately 87 full-time employees. Sixty percent of the company, in terms of stock, is owned by six individuals. I became president of Air South in August of 1971. Prior to that time, I had spent 22 years with Scandinavian Airlines in various capacities and prior to joining Air South had been senior vice president of Piedmont Airlines. I guess you would have to say I went into the commuter industry with full knowledge of what I was approaching.

In the time I have been with Air South, it has become very apparent to me that there is considerably more professionalism within the commuter industry than sometimes it is given credit in having. Within Air South we certainly have a fine group of professional people in all categories. I am convinced if they were not professional we would not be in business today. Our flight operation activities are under the direction of Mr. Shelton who has been an aviation director himself for in excess of 12 years and has had his ATR rating and all of the other fully proscribed FAA requirements.

Air South—under his direction—conducts various recurrent training programs which are fully endorsed by the FAA. We are in the process now of developing a pilot program for new pilot personnel in the commuter industry, not just related to Air South. This is being done in conjunction with the FAA and with their endorsement. We have been informed that, with the approval of this program, it will be one of the first within the industry itself.

Our director of maintenance carries similar credentials in terms of his ability to perform and be responsible for his activities. In the same connection there is a maintenance program being developed with the regional office in Atlanta which is being designed specifically for Beech 99 aircraft. We are a lot closer to 121 in most of our operations than to 135.

The customer service director is an individual who has no aviation customer background at all. That is by design and not accident. The transition from certificated activities would automatically require a tremendous amount of readjustment, and we felt that in this instance what we were looking for was somebody sensitive to the needs of the public who had a great deal of experience in this particular area.

Our traffic data is not too different from what has been filed by other carriers. We provide approximately 116 weekly flights, split to the various points we serve, which right now are solely within the State of Georgia. We have the privilege of serving one high-density market, in terms of commuter service, which is Brunswick-St. Simons, and 52 flights a week are directed to that area. The balance of our activities are 100 percent in the area of small towns and cities, and, with the exception of one area, which is Albany, Ga., we are not in conflict at any point with a regional or trunk carrier. I should qualify that. Delta does serve Glynco Naval Air Station in Brunswick. We serve McKinnon Airport on St. Simons' Island.

The philosophy and corporate direction of Air South is 100 percent within the framework of what we view a commuter air carrier to be. That is, wherever possible, to be providing those services which small towns or cities would otherwise not have.

We do not view our place in the industry as flying parallel routes necessarily to hub or other points with trunk or regional carriers. We

are fortunate in our area, we have fine trunk service to Atlanta by all the majors and two very fine regional carriers on either side of us. They have convinced us that their service to their points is well provided. So we view our role to be that of serving smaller communities and cities and complementing, rather than necessarily competing with the trunk and regional activities. We think that if we are going to stay in business and become prosperous and healthy that this is the best way to go.

We have been asked on many occasions by various representatives of Government and also our own industry to try and define for them where we really view our role in this overall transportation spectrum. That is quite a formidable task. To date, we have not found that the Government or our own industry could come close to giving us any such definition, particularly one that would include any degree of permanency. We do think it has been shown by the growth of our own activities within our State that the type of service we are providing is not only appreciated but it is actually sought after.

What is not contained in my testimony, which I would like to allude to for a moment if I may, Mr. Chairman, is that we do operate under a rather unique program with the Coastal Plains Regional Commission. This consists of the States of North and South Carolina and Georgia. These States have joined together in a cooperative effort to take Federal funds, which are directed for State purposes in the coastal plains area, and to develop programs on a joint basis which will bring up the base economy in their respective smaller cities. We have been operating to two cities in Georgia, Dublin and Statesboro, under a program which I would not call an experimental program because it has proven to be a success. The program was put into force based upon an appropriation grant from the Coastal Plains Regional Commission here in Washington for the State of Georgia. The initial grant called for two round trips per day to both points. In this case, both cities were paired together. We started that June 15, 1971. We fully expect that it will be completely self-sustaining by September 1 of this year since each city on its own has developed to the point where when placed together, with a stronger route, it becomes economically sound to continue air service to these points. I would recommend that the committee staff look into the coastal plains program. It is quite similar to that which has been proposed by the CAB, but I believe it has a great deal more maturity attached to it.

Our concern with respect to legislation, and there is a great deal of discussion about this, and certification, is that we find, that to continue to do what we are doing in smaller cities and communities, that it is very difficult for us to attract the type of financial support which we think is essential to develop airport facilities and other passenger facilities through the contributions of the small cities. They appreciate and they respect totally what we are trying to do, but we are always faced with the problem that there is nothing we can display to them in a legal sense that shows we have any continuing requirement to serve this area. Nor is there anything that would prove to them that we will be there beyond whatever point our own discretion would take us. For this reason we have joined with the other carriers, as was described by Mr. Karl Baldwin, in support of the Pearson bill together with the suggested changes which he outlined to you.

We are not joining in this support because of the subsidy aspect which may be tied with it. We do not place a great deal of weight with that. We are more concerned with some formal recognition of the fact that we exist and have agreed to serve those areas that we have devoted a great deal of time, money, and effort to.

Included with our filing you will find a number of letters which we have received recently from chambers of commerce of those cities that we serve in which they, I believe, express their appreciation for what we are trying to accomplish. Other letters, I understand, Mr. Chairman, have been sent but they were directed to you here in Washington.

Senator CANNON. Thank you very much.

(The statement follows:)

STATEMENT OF BARTLETT M. SHAW, PRESIDENT, AIR SOUTH, INC., ATLANTA, GA.

My name is Bartlett M. Shaw and I am the President of Air South, Inc., a commuter air carrier based in Atlanta, Georgia. I greatly appreciate the opportunity to present to the Subcommittee on Aviation of the Senate Committee on Commerce a description of Air South, its views with regard to its role as a third level carrier in furnishing air transportation in the southeastern United States, and its recommendations regarding legislation pending before this committee.

DESCRIPTION OF AIR SOUTH

Air South's predecessor company was formed as a Georgia corporation in 1967 and assumed the name Air South in 1969. Air South has 87 full time employees and approximately 150 stockholders. Approximately 65 percent of Air South's stock is held by six persons, including myself.

I became the President and Chief Executive Officer of Air South in August of 1971. I hold a B.S. degree in business administration from Colgate University and did graduate study in management development at Stanford University. My aviation experience began with a tour of duty in the navy from 1944 to 1946. In 1947 I joined S.A.S., Scandinavian Airlines, and was elected Vice-President in charge of personnel and properties in 1956. Following that, I served as Vice-President of Administration and, Secretary Treasurer.

In 1964 I was elected Vice-President in charge of marketing and sales. I resigned from S.A.S. in 1969, to become Vice-President—General Manager in charge of operations in Europe and the Middle East for the Marriott Corporation in Rome, Italy. Following my work with Marriott, I returned to the U.S. and became the Senior Vice-President of Piedmont Airlines. I resigned from Piedmont to accept the position of President and Chief Executive Officer of Air South.

Mr. Chester E. Lundstrum serves as Secretary-Treasurer of Air South. Mr. Lundstrum is responsible for the company's operating budget and financial planning. Prior to joining Air South in October of 1968, Mr. Lundstrum was chief accountant from 1958 to 1967 at Central Air Lines, Inc., and was promoted to Treasurer of Central prior to its merger with Frontier Airlines. Following the merger, Mr. Lundstrum became Assistant Treasurer of Frontier with divisional responsibilities for the operations previously conducted by Central.

The Board of Directors of Air South consists of the following individuals:

Mr. William H. Evans, Chairman of the Board. Mr. Evans is a limited partner of the Cleveland investment firm of Ball, Burge & Kraus. Among other things, he is a Trustee of the Lake Erie College and a Director of the American Aviation Corporation.

Mr. Carrol A. Reddic, Jr., President, Chemical Supply Corporation, Atlanta, Georgia.

Mr. Julian LeCraw, President, LeCraw Construction Company, Atlanta, Georgia.

Mr. Pope McIntire, Attorney, Atlanta, Georgia.

Mr. H. P. Persons, Real Estate, Macon, Georgia.

Air South's day-to-day operations are supervised by a Director of Flight Operations—William T. Shelton; a Director of Maintenance—Thomas Wadsworth; and a Director of Customer Services—Richard Van Rees.

FLIGHT OPERATIONS

Mr. Shelton has been involved in aviation for over 12 years and is an ATR rated pilot and an FAA-designated pilot examiner and ground school instructor. Under Mr. Shelton's direction, Air South provides regional training for the FAA and operates an FAA approved recurrent ground training program. Air South is developing a program in conjunction with the FAA for use in training new pilot personnel in the commuter industry. We understand from the FAA that this program will be the first of its kind. Mr. Shelton supervises 28 flight personnel. Air South's captains and co-pilots are all ATR rated. All Air South flights are operated with a captain and co-pilot and are under the control of a central flight dispatcher. Air South operates four Beech 99, 15 passenger aircraft. Each aircraft is instrument equipped for all-weather flying, which includes radar, transponders, and distance measuring equipment. Most of Air South's flights are operated under IFR flight plan conditions.

I have with me a copy of Air South's Flight Operations Manual which is approved by the FAA. Due to its bulk, I have not attached a copy to my statement, however, I will be glad to make it available to the committee or the staff.

MAINTENANCE

Mr. Wadsworth, the Director of Maintenance, has been an A&P licensed mechanic since 1963. In this capacity he worked as a mechanic, then lead mechanic, and finally as a technical inspector for Hawthorne Aviation in Fort Rucker, Alabama. He joined Air South in 1968 and now holds an A&I rating in addition to his A&P rating. Air South performs its own maintenance with A&P rated mechanics using a progressive maintenance procedure approved by the FAA. Air South also furnishes Beech 99 maintenance to the U.S. Forestry Service. Due to the bulk of our maintenance manual which is FAA approved, I have not brought it with me, however, it can be made available to the committee or the staff. Air South is currently developing its own approved aircraft inspection program designed specifically for Beech 99 aircraft maintenance. We understand from the FAA that this program will be the first of its kind in the commuter industry when it is approved. The inspection criteria involved in this program will closely correspond to FAR 121.

CUSTOMER SERVICES

Mr. Richard Van Rees, Air South's Director of Customer Services, is responsible for Air South's sales and airport activities at all points served by Air South. In Atlanta, Air South's ticketing, ground handling, and check-in operations are handled under contract by Eastern Airlines. Prior to joining Air South in March, 1972, Mr. Van Rees served as Vice-President-Sales and Services, Van Rees Press in New York. Mr. Van Rees served as a flight pilot during World War II and has maintained a continuing interest in aviation.

HISTORIC TRAFFIC DATA

Air South provides 116 weekly scheduled flights within the State of Georgia as shown below:

Between Atlanta and Brunswick—52 flights; Between Atlanta and Brunswick via Waycross—26 flights; Between Atlanta and Albany—14 flights; Between Atlanta and Statesboro via Dublin—12 flights; From Atlanta to Brunswick via Albany—6 flights; From Brunswick to Atlanta via Dublin—6 flights.

Air South's traffic has grown from 5,787 in 1968 to 48,463 in 1971. Air South serves as a replacement carrier for Eastern Airlines between Waycross and Atlanta, Georgia, pursuant to agreements approved by the Civil Aeronautics Board. A prime example of the importance and acceptance of Air South's service is the Atlanta-Brunswick market.

As the committee probably knows, there are a number of famous ocean resorts located in the Brunswick area, including the Cloister Hotel on Sea Island, and the Sea Palms Hotel on Saint Simons Island. Additional resorts are located and under construction on Jekyll Island. Air South serves these resorts through the McKinnon Airport on Saint Simons Island. Additional service to the Brunswick area is provided by Delta Airlines into the Glynnco Naval Air Station which is 17 miles from the resorts.

In the past four years Air South's passenger traffic between Atlanta and Brunswick has grown from 3,656 passengers in 1968 to 32,212 passengers in

1971—a growth of 781 percent. In order to accommodate the tremendous demand for service in this market, Air South has requested authorization from the Civil Aeronautics Board to operate two 44-passenger, prop-driven aircraft between Atlanta and Brunswick.

Air South's views are based upon Air South's activities and experiences in its role as a scheduled commuter airline in the Southeast. I make no attempt to imply that the views of Air South necessarily represent those of other commuter airlines.

I would like to first state that the corporate direction of Air South is to provide scheduled commuter air service to smaller cities and communities consistent with their needs and within the economic framework of a nonsubsidized carrier. We have no intention or desire to operate parallel routes to any points being adequately served by trunk or regional carriers. The objective of Air South is to build a viable scheduled commuter air system within the states we are privileged to serve and in doing so complement the air services provided by the trunk and regional carriers. Our primary obligation is to insure that the traveling public has available the best possible selection of air service to expedite the travel time to his or her final destination.

To accomplish our objectives in the present posture of an air taxi, commuter carrier designation presents formidable difficulties both within and outside our own industry. No one in any segment of air transportation or government has, to date, defined our role in a manner that conveys the slightest impression that there is any permanency in third level transportation. Yet, at the same time, we are constantly admonished by the same groups that we must first establish within this "difficult to describe third level air taxi, commuter carrier, on demand industry," a unified definition of what our role is to be within the total spectrum of air transportation.

Despite being an appreciated and accepted commodity to the growing numbers of passengers and communities we serve, to investors, suppliers and our friendly financing institutions, we are a high risk, here today and possibly gone tomorrow industry.

We are unable to obtain anything of legal substance that substantiates our ability to be protected in any market against any other commuter or certificated carrier attempting to carve out a share of what we have developed. This is hardly a situation that leads banks or others to be encouraged to make long term investments in a commuter airline without applying rates of interest which can and have proven to be a financial disaster.

As a consequence of these conditions, Air South and many other commuters are continually hard pressed to meet the daily demands of staying afloat. The very fact that we and many others are not only afloat but showing every evidence of being fine swimmers is testimony to the professionalism that does indeed exist within commuter airlines.

Our situation also presents problems for the communities we serve. Since we are not certificated, the communities have no assurance that we will continue to serve them. This, in turn, makes it difficult for the communities to make investments in improvements which we request in their airport facilities.

RECOMMENDATIONS

For all of these reasons Air South believes that the time has come for it to become a certificated part of the nation's air transportation system.

Certification would provide stability to the industry and security of service for the communities as well as security of investment for investors. This latter point is particularly important since increased investments will be necessary to continue to meet the growing demand for commuter service. Indeed, the recent decision by the Court of Appeals for the District of Columbia on January 14, 1972, in a case brought by the Airline Pilots Association against the CAB strongly indicates that the operations of the commuter carriers can no longer be legally authorized by the CAB under the Board's exemption powers.

It has been suggested by some that commuters could be certified under the laws as they now stand. A few commuters have gone this route; however, it would appear that the costs involved in certification and the attendant regulation have proven to be too much of a burden. The Chairman of the CAB recognized this problem in his testimony before this committee in May of 1970. Certification under existing laws would also expose the communities now being served by commuter carriers to the risk that the commuters would follow the

course of the local service carriers and acquire larger and larger equipment and thereby outgrow the markets they are designed to serve.

For these reasons, Air South believes that the Congress should provide for a new form of certification which would allow the CAB to limit the size of the aircraft to be utilized by commuter carriers while, at the same time, enabling the CAB to relieve commuter carriers of as much of the cost of certification as possible. Accordingly, we have joined with Air Wisconsin, Altair Airlines, Cascade Airways, and Royale Airlines to support the legislation proposed by Senator James Pearson of Kansas.

In conjunction with our support, we believe that Senator Pearson's Bill can be improved. First, we think that the carriers to be certified under this bill should be referred to as commuter air carriers rather than limited air carriers. The term "commuter air carrier" has become generally known and accepted in the industry and should be more readily acceptable to the public than the term "limited air carrier." Furthermore, there could be some confusion in the term "limited air carrier," since the Board has already issued Limited Supplemental Air Carrier Certificates. In line with our belief that the cost of certification should be minimized to the greatest degree possible, we believe that the Board should have the authority to issue commuter air carrier certificates either with or without a hearing and that the Board should be directed to prescribe regulations to enable commuter air carriers to operate as economically as possible. Finally, we believe that fairness requires that an operating commuter air carrier should be entitled to a certificate to continue its operations if the carrier is found to be fit, willing, and able to do so.

CHAMBER OF COMMERCE,
Dublin, Ga., April 6, 1972.

Re Third level carriers.

Senator HOWARD W. CANNON,
Chairman, Subcommittee on Aviation, Senate Committee on Commerce, Old Senate Office Building, Washington, D.C.

DEAR SENATOR CANNON: Air South has provided this area with scheduled passenger and limited freight service since June 1971. The service even though limited, has been very satisfactory.

Air Service is proving to be a great tool in our development efforts. Continued air service for this rural area is, therefore, a must if we are to develop the area and stop out migration of our people.

We urge your Committee to give full support to the continuation and improvement of Third Level Carrier service.

Yours truly,

DON N. LAMB,
President.

CITY OF DUBLIN, GA., April 7, 1972.

Senator HOWARD CANNON,
Chairman, Subcommittee on Aviation of the Senate Commerce Committee, Old Senate Office Building, Washington, D.C.

DEAR SENATOR CANNON: This is a letter on behalf of the 3rd level airline services which serve the small communities of our nation.

Air South has been serving Dublin, Georgia in both freight and passenger service for about a year. This morning I called our industries and they stated to me that this 3rd level airline is extremely important to our economy. They use this line for their personnel and freight. The services have been very satisfactory. The schedules have been changed a time or two to better serve our community. In checking with our industrialists and private citizens who have used the airline, many stated the service has been quite satisfactory and in many cases better than the service on the larger airlines.

I hope this letter will encourage your committee to continue your support of this service.

Sincerely,

LESTER L. PORTER, O.D., *Mayor.*

HEART OF GEORGIA PLANNING & DEVELOPMENT COMMISSION,
Dublin, Ga., April 7, 1972.

Senator HOWARD W. CANNON,
*Chairman, Subcommittee on Aviation,
 Old Senate Office Building, Washington, D.C.*

DEAR SENATOR CANNON: The Heart of Georgia Planning and Development Commission supports and endorses the services afforded by Air South at the Dublin Airport. We have worked long and hard to acquire commuter air services for Dublin and the surrounding area.

We feel that Air South has filled a transportation void by meeting local needs through passenger and air freight services. Their value to the area has been incalculable as we think their presence allows our economically deprived communities to take another step toward reaching their full potential.

We are interested in the findings and recommendations of your committee and hope other communities can be provided with similar benefits.

Please call on us if we can be of assistance. Best regards.

Sincerely,

J. D. BROWN, *Chairman.*

SEA ISLAND Co.,
Sea Island, Ga., March 24, 1972.

Re Application of Air South, Inc. for an exemption pursuant to section 416(b) of the Federal Aviation Act of 1958, as amended, to operate large aircraft in scheduled and charter air transportation.

CIVIL AERONAUTICS BOARD,
Washington, D.C.

DEAR SIRs: We have read with great interest the application described above. We sincerely hope that your board will act in the affirmative as the service requested is greatly needed in this area of coastal Georgia.

Air South, Inc. is doing an excellent job of serving this community insofar as its equipment will permit. They will be able to do a much better job with larger aircraft.

We have many guests visiting our Sea Island resort who drive two hours to Jacksonville who really want to go direct to Atlanta for their connections but are loathe to travel on the small 15 passenger planes now leaving from McKinnon Airport. The larger aircraft would be beneficial to these guests and certainly would make Sea Island more accessible to these visitors.

We sincerely trust that you will find it proper to act in the affirmative on this application in the very near future.

Most sincerely,

ALFRED W. JONES.

SEA PAK, DIVISION OF W. R. GRACE & Co.,
St. Simons Island, Ga., March 24, 1972.

Mr. BARLETT M. SHAW,
*President, Air South, Inc.,
 Atlanta, Ga.*

DEAR MR. SHAW: I have today read with interest your application for exemption to operate large aircraft between Atlanta and Brunswick, Georgia.

I sincerely hope that your application will receive a favourable decision of the Civil Aeronautics Board. We, at Sea Pak, would have extreme difficulty operating our administrative and marketing functions from St. Simons Island if we were to lose the availability of Air South service.

For the past few years our administrative and marketing forces have been expanded and we intend to continue this in the future. If we are unable to use a service such as yours to St. Simons, it is better for us to fly to Jacksonville and rent cars to drive to St. Simons rather than fly Delta on the Atlanta to Glynco route once a day.

We feel you need bigger aeroplanes and I am sure you have heard my complaint regarding my staff being unable to secure reservations on your flights to St. Simons.

In the event you receive favourable action on your application, you can be assured you will also receive a continuing growing patronage from my staff at Sea Pak.

Yours sincerely,

H. J. COFER, Jr., *President.*

EVANS & MITCHELL INDUSTRIES,
Atlanta, Ga., March 24, 1972.

Mr. BARLETT M. SHAW,
*President, Air South, Inc.,
Atlanta, Ga.*

DEAR MR. SHAW: I have just learned of Air South's application before the Civil Aeronautics Board regarding an exemption to operate larger aircraft between Atlanta and St. Simons Island and other areas on a scheduled and charter basis.

May I congratulate you and the Board of Directors of Air South in this action. Air transportation to our area has increased significantly in the year since we have owned and operated Sea Palms Resort and Golf Club.

Our convention business this year has already increased six times over last years and the average group size is slightly over 100. You can see what larger aircraft would do for our business.

Evans & Mitchell has just announced a 10 year, \$65,000,000 building program that will create an additional 1800 resort oriented seasonally occupied housing units. We are aware of other developments on the Island that will swell these figures significantly.

The continued development of the Golden Isles as a destination resort area will depend to a large extent on the availability of transportation to the area. The great majority of our visitors arrive by air via Air South from Atlanta or other carriers into Jacksonville or Savannah. Improved air transportation to St. Simons would be a definite asset to the growth of the Island.

If there is anything that we can do to assist you in this matter, please do not hesitate to contact me.

Sincerely,

ROBERT R. KING.

THE CLOISTER,
Sea Island, Ga., March 23, 1972.

Mr. BARTLETT M. SHAW,
President, Air South, Inc., Atlanta, Ga.

DEAR MR. SHAW: It has come to my attention that you are applying to the Civil Aeronautics Board to request the use of larger aircraft on your scheduled runs from Atlanta Georgia to Brunswick, St. Simons Island, and Sea Island, Georgia.

This letter is simply to assure you that we at Sea Island feel very strongly that the use of larger aircraft will materially benefit not only your line but service to our area. Sea Island and this whole area is growing rapidly and although the frequency of your schedules has hepled we nevertheless find that because of the size of your present airplanes there are many inconveniences. It is quite obvious that pressurized airplanes with toilet facilities are almost a must to the traveling public today. Further there are innumerable times when guests coming to the Cloister arrive without their luggage due to the load factor on the present size airplanes that you are using. This, of course, causes a hardship on people arriving at a Resort expecting to change clothes and enjoy the many activities immediately.

It is our sincere hope that the Civil Aeronautics Board will approve your request as I believe it will be very meaningful in the future progress and development of this whole area.

Sincerely,

I. A. HARNED,
Vice President-General Manager.

Senator CANNON. We would like to proceed with the next witness. I will reserve what questions I have until we have heard from all of these witnesses, and several of them may want to respond.

STATEMENT OF D. Y. SMITH, JR., PRESIDENT, ROYALE AIRLINES,
INC., SHREVEPORT, LA.

Mr. SMITH. I am D. Y. Smith, Jr., president of Royale Airlines, Inc., Shreveport, La. I appreciate the opportunity to appear before your committee today to discuss various aspects of our growing scheduled commuter airline industry.

I would like to give you a short history of Royale Airlines, a Louisiana corporation. We began scheduled operations April 27, 1970. Royale serves five Louisiana cities—Shreveport, Monroe, New Orleans, Fort Polk, and Lafayette—with 60 scheduled flights per week. We are the only service between Fort Polk and Shreveport.

Royale is utilizing two Beech 99 A's. Our 15-passenger equipment is air-conditioned and equipped for all-weather flying including radar. Royale employs 32 persons. All maintenance is conducted on a progressive basis by our employees. Our maintenance facilities are located in the Pennzoil United hanger, at the Shreveport Regional Airport. All reservations are controlled from Shreveport; all stations are staffed with reservation agents. Being members of both ATC and IATA ticketing agreements, Royale offers interline ticket agreements with all trunk and regional carriers in our area.

Presently we are carrying about 3,000 passengers a month and have flown over 50,000 since inception. Since March 1971, we have completed more than 95 percent of our scheduled flights. Royale has not operated at a profit; however, we are close to a break-even point as of March 31, 1972. Royale is owned by 172 Louisiana stockholders. No officer of the company, with the exception of our vice president of operations, a gentleman who is here with me today, receives a salary. The financial struggle of the commuter industry is well known to the members of this committee.

The fact that commuter airlines carried 4.3 million passengers in 1971 clearly shows that we are an established part of the national airline transportation system. The communities we serve should be insured that our service will be maintained and improved. The recent decision by the Court of Appeals for the District of Columbia in the *ALAP* case clearly indicates that schedule commuter air carriers must be certificated. It is also clear that the commuter carriers have earned the benefits of certification.

If small communities of America are ever to enjoy the obvious benefits of scheduled airline service, we are the logical ones to give such service. Commuter airlines, working with regional carriers, can relieve taxpayers of millions of dollars in subsidy by substituting service in low density subsidized markets. It is simply not good business, in my judgment, to send a bus when a taxi will suffice. Smaller equipment can actually offer better service to these markets by increased frequency.

I join with Air South, Air Wisconsin, Altair, and Cascade Airways in urging favorable action on Senator Pearson's bill for the reasons and with the modifications previously discussed by these carriers. Time is of the essence. Thank you.

Senator CANNON. Thank you very much, sir. Next, please.

STATEMENT OF TRISTAM C. COLKET, JR., PRESIDENT, ALTAIR AIRLINES, INC., PHILADELPHIA INTERNATIONAL AIRPORT, PHILADELPHIA, PA.

Mr. COLKET. I am the president and chief stockholder of Altair Airlines, Inc., a commuter air carrier based in Philadelphia, Pa.

In the interest of time, I would like to submit my full statement for the record.

Senator CANNON. Very well.

Mr. COLKET. Before beginning the slide presentation, I want to state Altair's position on the need for the legislation for the commuter carrier or third level industry. Altair believes commuter carriers need to be a certificated part of the air transportation industry. The industry has matured to the point that certification is warranted by the policies of the Federal Aviation Act.

Indeed, the recent decision by the Court of Appeals on January 4, 1972, in the case brought by the Airline Pilots Association against the CAB strongly indicates that the operations of the commuter carriers can no longer be legally authorized by the CAB under its exemption powers.

Local communities desire to have assurance that commuter air carrier service will be maintained. It is also important that an investor in the commuter airline industry have protection for his investment and the investments that will be needed in the future.

Certification under the existing laws is unlikely to meet these needs. On the one hand, in order to prevent the commuter carriers from outgrowing their markets, provisions should be made to limit to size of aircraft to be operated by commuter carriers. This is not possible under existing laws. On the other hand, provisions must also be made to avoid destroying the economic viability of these small carriers with the costs of certification and regulation.

For these reasons, Altair joined with Air South, Inc., Air Wisconsin, Cascade, and Royale Airlines, to support the legislation proposed by Senator James Pearson of Kansas, with certain modifications.

[Slide.]

Mr. Chairman, this is the tail section of a Beech 99, 15-passenger turboprop airplane.

I will take you on a short tour of Altair Airlines' system, which I feel is representative of the larger commuter airlines. Altair has a total of approximately 140 employees, representing something over a million dollars in annual payroll.

[Slide.]

This shows Altair's route system from Richmond in the South to Albany, N.Y., in the Northeast, and Harrisburg, Pa., in the Northwest. Philadelphia is the hub of our airline.

Under this system, we serve two types of passengers: One is the commuter passenger leaving his community in the morning and returning the same evening. Second is the connecting passenger who uses Altair to connect with other airlines.

[Slide.]

This is our operations room at Philadelphia International Airport.

It is the center of our flight department. We have a flight dispatcher responsible for dispatching flights and following aircraft movements. This is done by radio or telephone from an outlying station.

[Slide.]

Our chief pilot works out of this office and is responsible for our 37 pilots. On each of our flights there is a captain and first officer. It is our policy that all our captains are ATR rated. Of 22, 15 are now rated and seven are in the process of completing their ratings.

The flight department has an FAA-approved operations manual which I have here with me for your inspection, but I have not submitted it into the record because of its bulk.

[Slide.]

We also have a national weather teletype service enabling us to have up-to-date weather throughout our route structure.

[Slide.]

Here is our central reservations room with computer consoles. This computer center enables our girls to make reservations throughout our Altair system in a matter of seconds. This computer can tap the inventory of many of the certificated carriers enabling them to confirm through reservations for our passengers.

[Slide.]

Many of the certificated carriers can make reservations on Altair's system. For example, a passenger in San Francisco could be confirmed through to Philadelphia and then on to Allentown through the use of the United Air Lines computer.

[Slide.]

This is our maintenance hangar at Philadelphia International Airport. This hangar, with approximately 20,000 square feet of space for maintenance, is able to house all of our eight aircraft.

[Slide.]

We have licensed mechanics, and our maintenance is done on a progressive maintenance system.

[Slide.]

This means a different section is inspected each night.

[Slide.]

Heavy maintenance is generally done on weekends. This system is similar to that used by certificated carriers. By doing maintenance in this manner, we are able to keep our aircraft on the move during the day.

[Slide.]

This is our stockroom containing approximately a half a million dollars' worth of spare parts. By maintaining this inventory of spares, we do not encounter the delay in time of waiting to have parts shipped in.

[Slide.]

Our airline has an approved FAA maintenance shop. I have a copy of our maintenance manual for inspection, but I have not included it in the record because of its bulk, also.

[Slide.]

This slide shows our assistant director of maintenance going over the records of the engine and frame time. The time of each aircraft is posted on this board and readily available to everybody.

[Slide.]

Like the certificated carriers, we find need for auxiliary equipment, such as aircraft tugs.

[Slide.]

We do not need the amount of equipment required by the local service carriers or trunk carriers.

[Slide.]

We strive to maintain a clean fleet. That is an integral part of running a top-grade airline.

[Slide.]

Our flights start at approximately 6:30 a.m. The Beech 99 aircraft have all-weather capability and are fully instrumented. In addition, our aircraft have weather radar.

[Slide.]

One of the first things that happens in the morning is that our aircraft is fueled from our own fuel truck.

[Slide.]

This is the ticket counter located at Philadelphia International Airport. It is manned by a uniformed ticket agent. These agents have been trained in all phases of reservations and ticketing.

[Slide.]

We also have a holdroom manned by uniformed personnel, as are all our stations.

[Slide.]

Since these aircraft hold only 15 people, the boarding time is much shorter [slide] enabling us to make quick turnarounds at our stations.

[Slide.]

This would be a passenger's view from inside the 99.

[Slide.]

The next two sequences show the interior of the Beech 99, and you can see that every seat is a window seat.

[Slides.]

This is a typical view from the air that makes many of our passengers like flying commuter airlines.

[Slide.]

This is a view of a Beech 99 going into Friendship Airport in Baltimore.

[Slide.]

This is a view you would have looking over the crew's shoulder.

[Slide.]

This is our ticket counter at Baltimore. The crew is checking in with the ticket agent.

[Slide.]

As you can see, the Beech 99 readily fits into almost any terminal space at an airport. This is Baltimore.

[Slide.]

This is our ticket counter at Richmond. The reason we are showing so many counters is to show you the type of air service provided by commuter air carriers. We feel it is very important to public acceptance.

When the passenger arrives at an airport, he expects the same service from the commuter air carrier as from a certificated carrier.

[Slide.]

This shows passengers boarding the Beech 99 while the crew is loading baggage, either in the forward nose compartment or the pod under the belly.

[Slide.]

One of the important points is that commuter air carriers bring passengers to the certificated carriers. Approximately 60 percent of our passengers make connections to certificated carriers. We provide through ticketing and baggage service.

For example, the passenger could board our carrier in Allentown and go on to Atlanta, only changing planes in Philadelphia, but he would never have to touch his baggage.

[Slide.]

The accounting department is a very important segment of the airline's business. We use the IBM Systems 3 computer, which has helped us handle the detailed work related to revenue accounting, billing, and statistical reporting.

The computer has also helped us analyze our operations, including route analyses and our interline relations with other carriers.

[Slide.]

This shows the growth of Altair's traffic over the past 5 years. Altair's traffic increased 41 percent in 1970 and 24 percent in 1971, both years when the growth of general air traffic was at a virtual standstill.

[Slide.]

Here we see the increase in frequency of flights per day after Altair started serving these five markets: Harrisburg, Richmond, Wilkes-Barre/Scranton, and White Plains. These were served with a total of 13 flights by the certificated carriers. Altair serves them with a total of 45 flights now.

[Slide.]

As a result of this added frequency, there has been an increase in the number of passengers carried, as shown on this chart. The bar at the far left indicates the total number of passengers carried between those markets by the certificated carriers during the last quarter of the year preceding Altair's entry into these routes. This certificated carrier traffic totaled approximately 6,000.

The next bar shows the certificated carrier traffic for the fourth quarter of 1970. This totals 2,550.

The bar furthest to the right shows Altair's traffic in these markets for the last quarter of 1970. This amounted to 11,310 passengers.

[Slide.]

This is the story of Altair Airlines, which we feel is typical of many of the independent commuter airlines.

The following have given us letters in support of Altair and Senator Pearson's bill: The Allentown-Bethlehem-Easton, airport authority and the Chamber of Commerce of Scranton, Greater Philadelphia, Wilkes-Barre, Delaware State, Greater Richmond, and Greater Williamsport.

I would be glad to try to answer any of your questions. Thank you for allowing me to appear before the committee.

(The statement follows:)

PREPARED STATEMENT OF TRISTRAM C. COLKET, JR.

I am the President and chief stockholder of Altair Airlines, Inc., a commuter air carrier based in Philadelphia, Pennsylvania. Altair was organized as a Delaware Corporation in 1966 and began service in December of that year. Initially, Altair provided nonstop service with Beech B-80 Queen Airliners, nine passenger aircraft between Albany, New York and Philadelphia. Subsequently, Altair received certificates of public convenience and necessity from the Public Utility Commission of Pennsylvania to serve Wilkes-Barre/Scranton, Harrisburg, and Philadelphia.

Altair now serves 21 cities through 12 airports. Altair's service area extends from Richmond, Virginia in the South to Hartford and Albany in the Northeast. A copy of Altair's present route map is attached to my statement as Exhibit A.

As I indicated above, Altair is a closely held corporation with the bulk of the stock held by me. In addition to myself, Altair's Directors are:

J. Stone Bagby, Vice President and Treasurer. He is also a Reserve Major General of the Air Force and is presently a Vice President of Fidelity Bank in Philadelphia. In addition, Mr. Bagby is a member of the Secretary of the Air Force's Air Reserve Force's Policy Committee.

Ruth A. Colket is also a Director of the airline.

Richard C. Sorlien is Secretary and General Counsel for the airline. He is also a senior partner of Pepper, Hamilton & Scheetz and is a Director of a number of major corporations.

Altair's day to day operations are supervised by Frederick R. Simmonds, Vice President of Operations. Mr. Simmonds has over 30 years experience as a pilot with airline transport ratings, maintenance ratings, ground instructors ratings, FAA designated pilot examiner and also many years of corporate pilot experience.

Overall Altair employs 140 individuals broken down as follows: 40 flying personnel, 25 people connected with the maintenance of our aircraft, and the balance is made up of reservations, station agents, administrative, clerical and management personnel. Altair maintains ticket booth facilities with uniformed personnel at each of the 12 airports into which it operates. At its main headquarters in Philadelphia, Altair leases 2,500 square feet of office space under a long term lease. Altair also leases hold room facilities and an operations room in the main terminal complex at Philadelphia International Airport. In addition, Altair owns a modern hangar facility of 20,000 square feet with a storage capability for its present fleet of 8 Beech 99 aircraft.

FLIGHT DEPARTMENT

As the Committee knows, the Beech 99 aircraft carries 15 passengers and was specifically designed for the type of operations being conducted by Altair. I have with me a copy of Altair's Flight Operations Manual. This manual has been approved by the Federal Aviation Administration; however, because of its bulk, I have not attached a copy to my statement. I will be glad to make a copy available to the Committee staff for their review.

Altair conducts all of its flights with a Captain and a First Officer. All flight operations are controlled and coordinated by a central dispatch office. All flight operations conform to all of the applicable FAA requirements. All aircraft are equipped for all weather flying including radar and transponders. It is Altair's policy to require that all of their Captains be ATR rated and to date 15 of its 22 Captains are so rated. The remaining 7 are in the process of securing their ATR rating and it is anticipated that this will be accomplished within the next six months.

MAINTENANCE DEPARTMENT

Altair operates its own Maintenance Department which is under the direction of the Director of Maintenance, Oliver N. Williams. Mr. Williams has over 30 years of experience in aircraft maintenance including service with American Airlines and Allegheny Airlines. He is directly responsible to the Vice President of Operations for the system wide maintenance. Altair employs a progressive maintenance system which includes regular monitoring of all aircraft structures, engines, component time and scheduled time changes. The Altair maintenance manual complies with FAR 145 and has been approved by the FAA.

Again, because of the bulk of it, I have not attached a copy of this manual; however, I will be glad to make a copy available to the committee staff.

Altair's 14 mechanics are under the direct supervision of a Foreman and an Inspector while they perform their prescribed duties. Except for two of its electricians, all of Altair's mechanics have A & P licenses. All of the supervisory personnel are factory trained and the mechanics receive periodic class room instructions in addition to their on-the-job supervision. A number of our mechanics have attended special schools such as the Beech Aircraft Model 99 Mechanics Course and the Pratt-Whitney Engine Course at East Hartford, Connecticut to better equip them to perform their duties.

Altair maintains a full stock of Beech 99 parts sufficient to allow it to maintain uninterrupted operations.

Altair's airline ticket forms conform to general industry requirements. We have bilateral and interline agreements with most of the national domestic and international carriers. Altair passenger agents can write tickets over the routes of all of the national domestic carriers.

Altair also uses the standard air freight forms used by the major carriers including the standard air bill, transfer manifests and air envelopes. Our interline freight agreements with most of the major carriers enable us to transfer and accept freight throughout the country. We maintain our own written freight tariff spelling out the applicable rates and procedures.

ACCOUNTING DEPARTMENT

Altair's Accounting Department is headed by its Controller, Mr. Patrick E. Rodgers, a Certified Public Accountant. He supervises 11 other employees in his department. Our accounting system was designed in accordance with the CAB Uniform System of Accounts and Reports and references the account titles and terminology generally used throughout the airline industry.

Altair's Accounting Department uses an IBM System 3 computer for most of the detailed work relating to revenue accounting, billing and statistical reporting. The computer enables us to produce all bills considerably faster than was previously possible by hand. This has improved our cash flow and our ability to analyze our operations. We also use the computer to produce landing reports and to develop route analyses and a variety of other data including our interline relationships with other carriers.

In October of 1971, Altair became a member of the Airline Clearing House, a service provided by the Chase Manhattan Bank. As the Committee knows, the Clearing House provides the participating airlines with a central bank through which they can clear interline credit cards, passenger and freight billings. Instead of sending out and receiving hundreds of checks each month, a participating air carrier receives one net amount for all credit card billings and another for the passenger and freight billings. This reduces collection costs and improves cash flow.

Altair's inventory system also corresponds in form and classification to the systems utilized by the national carriers. Generally, inventory is broken down into a class of rotatable parts and expandable parts. This system enables us to maintain cost control and unit balances on each part in our inventory.

HISTORICAL TRAFFIC DATA

Altair's traffic has grown dramatically. Skipping over the few weeks that Altair operated in 1966, our traffic figures for the last five years are: 1967, 8,373; 1968, 17,406; 1969, 53,576; 1970, 77,937; 1971, 96,871.

In terms of passenger miles flown, Altair ranks as one of the largest commuter carriers in the United States. In fact, while 1970 and 1971 are years most airlines do not want to remember, Altair's traffic increased 41 per cent in 1970 and another 24 per cent in 1971. We are now carrying passengers at a rate of well over 100,000 per year.

In order to better serve and indeed meet the demand created by this growth in traffic, Altair has instituted a computerized reservations system. This system was secured from the Control Data Corporation and went into service in July of 1971. Through this system we are able to immediately provide reservations and reservation information not only on Altair but most other major airlines in the United States.

Although Altair's traffic growth provides eloquent evidence of the acceptance and value of its service, there are a few other statistics which I believe will be

particularly significant to the committee. For example, Altair is now the only airline providing direct service between its major hub, Philadelphia, and five other cities—Harrisburg, Richmond, Allentown/Bethlehem/Easton, Wilkes-Barre/Scranton and White Plains. Before Altair started serving these five markets, there was a total of 13 direct flights between Philadelphia and these five points each business day. At present, there are 45 direct flights in all provided by Altair. This is more than three times the flight frequency provided by the trunk and local service carriers. This increase in frequency has produced substantial traffic growth in these markets, proving the public convenience and necessity for this type of commuter air service.

According to origination and destination statistics there has been a substantial increase in passengers carried between Philadelphia and the markets now being exclusively served by Altair. The following is an indication of this increase.

During the fourth quarter of 1966 there were 5,350 passengers carried in both directions between Philadelphia and Harrisburg, Philadelphia and Richmond, Philadelphia and Wilkes-Barre/Scranton and Philadelphia and White Plains. This was before Altair's entry into these markets. In the fourth quarter of 1970 Altair carrier 8,012 passengers between Philadelphia and these markets, an increase of 49.8 per cent.

In the case of Allentown/Bethlehem/Easton, in the fourth quarter of 1967 before Altair's entry, the certificated airlines carried 1,690 passengers. After Altair entered the market, during the fourth quarter of 1970 it carried 3,018 passengers, a 78.6 per cent increase. This increase in passengers is undoubtedly due to the frequency of service provided.

For example, before Altair started service in the Allentown/Bethlehem/Easton market there were only 2 flights each way. Now there are 5 flights in one way and 6 in the other for a total of 11 flights. In this particular market approximately 85 per cent of all traffic connects with the certificated air carriers, showing the ability of a commuter to complement certificated service.

RECOMMENDATIONS

The time has come for commuter carriers such as Altair to be a certificated part of the nation's air transportation system. Given the public utilization and acceptance of our service, the policies of the Federal Aviation Act of 1958, as amended, clearly warrant the certification of commuter carriers. Certification would provide stability to the industry and security of service for the communities as well as security of investment for investors. This latter point is particularly important since increased investments will be necessary to continue to meet the growing demand for commuter service. Indeed, the recent decision by the Court of Appeals for the District of Columbia on January 14, 1972 in a case brought by the Air Line Pilots Association against the CAB strongly indicates that the operations of the commuter carriers can no longer be legally authorized by the CAB under the Board's exemption powers.

It has been suggested by some that commuters could be certified under the laws as they now stand. A few commuters have gone this route; however, it would appear that the costs involved in certification and the attendant regulation have proven to be too much of a burden. The Chairman of the CAB recognized this problem in his testimony before this Committee in May of 1970. Certification under existing laws would also expose the communities now being served by commuter carriers to the risk that the commuters would follow the course of the local service carriers and acquire larger and larger equipment and thereby outgrow the markets they are designed to serve.

For these reasons, Altair believes that the Congress should provide for a new form of certification which would allow the CAB to limit the size of the aircraft to be utilized by commuter carriers while at the same time enabling the CAB to relieve commuter carriers of as much of the cost of certification as possible. Accordingly, we have joined with Air South, Air Wisconsin, Cascade Airways and Royale Airlines to support the legislation proposed by Senator James Pearson of Kansas.

In conjunction with our support, we have suggested ways in which we believe that Senator Pearson's bill can be improved. First, we think that the carriers to be certified under this bill should be referred to as commuter air carriers rather than limited air carriers. The term "commuter air carrier" has become generally known and accepted in the industry and should be more readily acceptable to the public than the term "limited air carrier." Furthermore, there could be some

confusion in the term "limited air carrier" since the Board has already issued Limited Supplemental Air Carrier Certificates. In line with our belief that the cost of certification must be minimized to the greatest degree possible, we believe that the Board should have the authority to issue commuter air carriers certificates either with or without a hearing and that the Board should be directed to prescribe regulations to enable commuter air carriers to operate as economically as possible. Finally, we believe that fairness requires that an operating commuter air carrier should be entitled to a certificate to continue its operations if the carrier is found to be fit, willing and able to do so.

Attached are letters from the Greater Philadelphia Chamber of Commerce, the Scranton Chamber of Commerce, the Wilkes-Barre Chamber of Commerce, Delaware State Chamber of Commerce, Greater Richmond Chamber of Commerce, Greater Williamsport Chamber of Commerce and the Allentown/Bethlehem/Easton Airport Authority supporting the position taken by Altair in the above statement.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY,
April 6, 1972.

Senator HOWARD W. CANNON,
*Chairman, Aviation Sub-Committee of the Committee on Interstate Commerce,
U.S. Senate, Washington, D.C.*

DEAR SENATOR CANNON: This is to support the position of Altair Airlines in its appearance before your Committee on April 10, 1972.

As we understand it, Altair is requesting that commuter airlines be granted limited certification so as to allow them to continue the service they are rendering to the travelling public. Altair has served the Allentown-Bethlehem-Easton communities for almost five years. Its service has shown continuing reliability and increasing frequency, particularly between the A-B-E Airport and Philadelphia.

This service is regarded as a substantial asset to the Lehigh Valley Area of Pennsylvania.

Very truly yours,

PAUL E. LENTZ, *Chairman.*

GREATER SCRANTON CHAMBER OF COMMERCE,
Scranton, Pa., April 5, 1972.

HON. HOWARD CANNON,
*Chairman, Subcommittee Aviation, Committee on Interstate Commerce,
U.S. Senate,
Washington, D.C.*

DEAR MR. CANNON: This letter is to support the position of Altair Airlines in its testimony before committee on April 10, 1972. Altair Airlines has served Scranton with direct service between this City and Philadelphia, Albany, and Allentown/Bethlehem/Easton for almost 5 years. It provides only for direct air passenger service between these cities. At present, Altair supplies an all time high in frequency on the routes it serves.

We have found Altair service reliable and particularly helpful to business travelers. We regard it as a substantial asset to the Chamber of Scranton and to its citizens.

Very sincerely yours,

WILLIS W. JONES,
Executive Vice-President.

GREATER PHILADELPHIA CHAMBER OF COMMERCE,
Philadelphia, Pa., April 5, 1972.

Re. S-796

HON. HOWARD W. CANNON,
*Chairman, Subcommittee on Aviation of the Committee on Commerce, U.S.
Senate, Washington, D.C.*

MY DEAR SENATOR: This Chamber wishes to go on record before the Sub-Committee on Aviation as supporting, strongly, S-796.

Our interest in this matter stems in particular from the relationship of Altair Airlines to this community. Altair, a commuter carrier which has served the Delaware Valley Tri-State/Greater Philadelphia area for over five years, has been

of immense benefit to this region, both from the standpoint of our economy and from the standpoint of freedom of movement for individuals. Altair is apparently operating at a level of approximately 100,000 passengers per year, connecting this metropolitan area with some twenty other cities, providing a service level far greater than existed prior to inception of Altair service.

As a Chamber of Commerce, we are particularly interested in providing the commuter airline industry with a degree of stabilization which will ensure that community interests for this type of service are met.

We urge that S-796 be given favorable consideration in the interests of this entire community.

Sincerely yours,

W. THACHER LONGSTRETH, *President.*

GREATER WILKES-BARRE, CHAMBER OF COMMERCE,
Wilkes-Barre, Pa., April 6, 1972.

HON. HOWARD CANNON,
*Chairman, Aviation Sub Committee,
Committee on Interstate Commerce,
Senate of the United States,
Washington, D.C.*

DEAR SENATOR CANNON: We understand an official of Altair Airlines will appear before your committee on Monday, April 10, 1972 to submit testimony in behalf of that carrier.

Altair Airlines has provided direct service between the Wilkes-Barre/Scranton Airport and Philadelphia, Allentown/Easton/Bethlehem and Albany for nearly five years. Presently, the carrier's service in the above respect is at an all-time high for frequency.

Altair service between our airport and the points mentioned has been both reliable and helpful, especially in the case of commercial/industrial air travellers. Consequently, we regard such service and its continuance as an asset to our Chamber as well as our community.

Sincerely,

NORMAN WEISS,
Chairman, Aviation Committee.

DELAWARE STATE CHAMBER OF COMMERCE, INC.,
Wilmington, Del., April 6, 1972.

HON. HOWARD W. CANNON,
*Subcommittee on Aviation,
Senate Commerce Committee,
North Senate Office Building,
Washington, D.C.*

SIR: I wish to support the position of Altair Airlines regarding Senate Bill 796.

Altair Airlines since August 1, 1968, has been servicing Richmond Va. from the Greater Wilmington Airport with the only direct flights available. At a later date they added service to Allentown and also Washington, D.C.

I earnestly support Altair's position in this matter.

Respectfully

J. FRED BEISSEL,
Director of Transportation.

GREATER RICHMOND CHAMBER OF COMMERCE,
Richmond, Va., April 7, 1972.

HON. HOWARD W. CANNON,
*Chairman, Subcommittee on Aviation,
Committee on Commerce,
U.S. Senate,
Washington, D.C.*

DEAR SENATOR CANNON: Altair Airlines has served Richmond with daily service between this City and Philadelphia for almost five years.

It has flights from here to Wilmington, Delaware and Allentown, Pennsylvania and provides the only direct service between these cities. Between Richmond and Philadelphia, Altair operates seven round trips every business day—at an all time high frequency.

We do hope your Sub-Committee can assist this aggressive, dependable commuter air carrier. And, in our opinion, the "third level" airlines in general make a tremendous contribution to air service throughout the nation.

We regard Altair's service at Richmond as a substantial asset to the commerce of our metropolitan area and to the traveling public.

Yours sincerely,

CHARLES A. BURTNER,
Executive Manager.

GREATER WILLIAMSPORT CHAMBER OF COMMERCE,
Williamsport, Pa., April 6, 1972.

Hon. HOWARD CANNON,
Chairman, Sub-Committee on Aviation, Committee on Commerce, U.S. Senate, Washington, D.C.

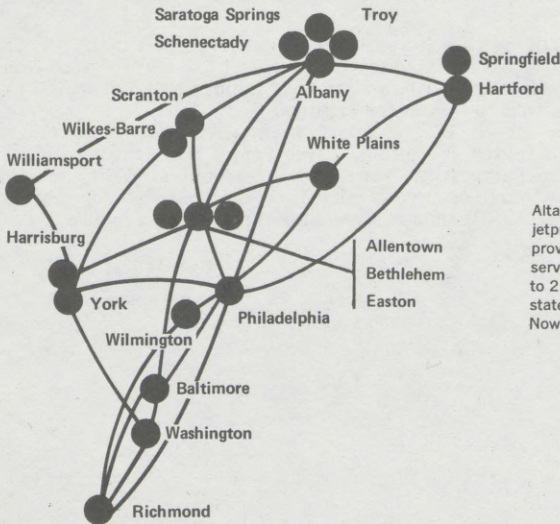
DEAR SIR: The intent of this letter is to support the testimony of Tristram C. Colket, Jr., President Altair Airlines to be presented before your committee April 10, 1972. The testimony will be in favor of Senate Bill 796 which proposes to give limited certification to commuter airlines.

Altair Airlines has served Williamsport with direct flights to Harrisburg, Philadelphia and Washington for almost three years. Its service to Harrisburg and Washington is the only airline servicing these routes. We have found the service reliable and of particular convenience to the business community. It is a valuable asset to the Williamsport area and the traveling public.

Sincerely,

HARRY H. KING, *President.*

For you... FASTER EARLY BIRD RESERVATIONS
New *Altairmatic* computerized system



Altair's 250 m.p.h. 15 passenger jetprop Early Birds provide frequent, fast service through 12 airports to 21 cities in seven states and D.C. Now . . . 277 flights weekly.

Now Altairmatic computerized reservation service to all destinations and major airline connections.

FROM PHILADELPHIA (AND RETURN)

to Richmond: seven direct flights, four nonstops
 to Allentown/Bethlehem/Easton: six nonstop flights
 to Harrisburg: three nonstops
 to Wilkes-Barre/Scranton: four direct, three nonstops
 to White Plains: two nonstops

FROM HARTFORD/SPRINGFIELD (AND RETURN)

Service to Allentown, Harrisburg,
 Philadelphia, White Plains

FROM WASHINGTON, BALTIMORE (AND RETURN)

Frequent service to Allentown/Bethlehem/Easton,
 Wilkes-Barre/Scranton, Richmond

AIR FREIGHT RATES:

Packages, size: 22"x22"x30" or less:

weight: 50 lbs. or less	\$10.00
each lb. over 50	.10

For packages, larger dimensions than above, please call information (215) SARatoga 6-1800.

Senator CANNON. All right. Mr. Crittenden?

STATEMENT OF MARK M. CHESTNUTT, PRESIDENT, CASCADE AIRWAYS, INC., SPOKANE, WASH.; ACCOMPANIED BY MAX CRITTENDEN, COUNSEL

Mr. CHESTNUTT. Mr. Chairman, I am Mark Chestnutt, president of Cascade Airways. Mr. Crittenden is counsel for the company. He is also going to make a short statement in connection with his association with a group of carriers.

I would like to thank you for the opportunity to participate in these hearings.

I am Mark Chestnutt, from Spokane, Wash. Anything I might say would be an anticlimax. Altair's presentation shows what the commuter air carrier industry has developed into.

Our company is somewhat smaller. We are not as sophisticated as Altair in a lot of ways. We are not as large. We have approximately 65 employees. We are operating three Beech 99 airliners.

I am going to delete a certain amount of my prepared statement. I think it would be rather repetitious.

But, our operation is representative of the industry as are the companies you have already heard from.

At the present time, Cascade is operating in the States of Washington, Idaho, and Oregon. We operate in five communities on full-time passenger service. We hold a mail contract into Portland, Oreg., and carry passengers on that route also.

We operate three Beech 99 airliners. I believe that except for the difference in capacity and size, this aircraft in many ways is superior to the DC-3, which the main certificated carriers started with many years ago.

Our captains are all airline transport rated. Our first officers have an average of over 4,100 hours of flying time.

The commuter industry is well experienced. There are a lot of certificated carriers that don't have first officers with anywhere near that flying time.

We provide service primarily from the smaller communities into the hubs of Spokane and Seattle. From there, airline connections to any part of the world can be made.

We are in the Airline Guide with the other carriers. We are a privately owned corporation and all our requirements have been provided through private resources.

We have sustained considerable losses. It is no secret that the very existence of the company has been threatened by a lack of adequate working capital. However, each financial crisis has been met and overcome.

Cascade has found it impossible to obtain financing from normal resources. Some companies have been more fortunate, but we feel the experience of Cascade is representative. This lack of financing has been one of the largest single factors in the attrition rate of commuters over the years. The others have been overoptimism and gross mismanagement.

The points I want to bring up are the same as from the other carriers. We do not advocate subsidy necessarily. We should use good management processes.

It seems to me to be a terrific waste of taxpayers money and the finances of the local service carriers to service routes on which we are losing money with subsidy, when a company could operate these without subsidy or at least for a lesser amount.

There are some routes on which no carrier could make money. I think it is in these areas that Chairman Browne's bid program might fit very well.

In recent months we have had the opportunity of looking beyond our own immediate problems, which have been considerable, and devote a considerable amount of time to problems facing the commuter industry.

There are a number of conclusions that have been developed by the Aviation Subcommittee and the Senate Commerce Committee that we support. In order to provide further growth and enable it to service the important markets that are becoming increasingly dependent on it, Cascade supports certain legislative and regulatory changes.

We believe the commuter industry needs certification in the form of a limited certification. Along with this, I hope there comes some sort of route protection.

In spite of the success that Cascade or any other commuter might enjoy and the expenditure of large sums of money, this success can be severely damaged by the entry of another airline on the same route.

Second, consideration should be given to providing financial support to commuters who are servicing established market areas. Even though we do not favor direct subsidy, we believe guaranteed loans would help in stabilizing the industry.

Third, I believe the Federal Government should support the development of a new Government aircraft capable of carrying 25 to 30 passengers with a cabin attendant and lavatory facilities.

Economic regulations by the Civil Aeronautics Board and increased regulations by the FAA should accompany this new concept to insure the public the best possible service.

I believe these items are what are needed by the commuter industry to enable it to provide the community with the service it needs. I feel careful planning is needed to insure that the commuter carriers continue to serve local areas and don't attempt to follow the pattern of regional carriers.

There would be no sense in allowing the commuters to expand and stretch out and find the small communities facing the same problems 10 years from now that we have today.

The most important requirement commuters have is a form of certification. This certification we hope will be in the form of Senator Pearson's bill.

I also believe this certification would tend to deter the attacks being made upon the commuters and I believe with no regard to the needs of the traveling public or taxpayer by self-interest groups who are determined to, frankly, wipe out the third level industry.

In summary, I see only three alternatives. One, increase subsidy to the regionals. This seems to be a waste of time and money and a temporary solution to the problem we have now.

Two, a route strengthening program, and this seems to be delaying the inevitable.

I believe the third alternative, replacement by commuter air carriers is the only logical and economic direction to take. If given the opportunity I know we can prove this is so.

I feel Chairman Browne's bid proposal is an important step to be taken within certain boundaries, but I firmly believe that it is the solution to only part of the problem. I don't believe we can wait 3 years for the results of this experiment before taking action on what is already an urgent situation.

It has been 2 years since the last hearings such as these were held. The information was basically the same as it is now. The main difference is the commuter industry has grown and matured.

I believe events of the past several months dictate we have to evaluate the situation and take positive action. The problem isn't going to solve itself.

Mr. Chairman, on behalf of Cascade, I would like to thank you for the opportunity to express our views.

I will give the floor to Mr. Crittenden to make a statement.

(The statement follows:)

STATEMENT OF MARK M. CHESTNUTT, PRESIDENT, CASCADE AIRWAYS

Mr. Chairman and Members of the Committee :

I would like to thank you for the opportunity to participate in these hearings. My name is Mark M. Chestnutt. I'm President of Cascade Airways, Inc., a scheduled commuter air carrier based in Spokane, Washington.

I want to advise you that the next minute or so of my testimony may seem somewhat superfluous, and may be the type of information that you are already aware of, but please bear with me as I'll make my point clear in a few moments.

Our Company has been providing continuous, scheduled, airline service in the Pacific Northwest since May of 1970, primarily passenger service, but also cargo and mail. At the present time Cascade is operating in five communities in the state of Washington, Seattle, Spokane, Yakima, Walla Walla, and Pullman, also serving Moscow, Idaho and carrying passengers and mail into Portland, Oregon. Our airport terminal facilities are staffed full-time by Cascade personnel, providing ticketing, reservations, and baggage handling services. We have a complete maintenance department including a Director of Maintenance and four full-time mechanics.

We are operating three Beech 99 airliners, and will soon be adding a fourth. The 99 is a fifteen passenger, twin-engine, turbo-prop, equipped with sophisticated electronics, complete de-icing equipment and certified for operation into nearly all weather conditions. Except for the difference in capacity and size, in most ways this aircraft is superior to the DC-3, which most airlines started with years ago. These aircraft are manned by two pilot crews at all times. Our Captains are all Airline Transport Rated and have an average of over 6,000 hours pilot time. We provide service primarily from the smaller communities into the hubs of Spokane and Seattle from which airline connections to any part of the world can be made. We participate in inter-line ticketing and baggage agreements with most of the large trunk carriers, and our schedules are published in the Official Airline Guide along with all other air carriers.

Cascade is a privately owned corporation and all of the Company's capital requirements have been provided from private sources. Through the initial stages of operation the Company has sustained considerable losses. It is no secret that the Company's existence has been threatened several times by a lack of adequate working capital, however each financial crisis has been met and overcome. The Company has attained a profitable operation, but past deficits have imposed a severe financial burden. Cascade has found it impossible to obtain financing from normal commercial sources and difficult even through private investment. Some companies have been more fortunate, but we feel the experience of Cascade is similar to many companies in the industry. This lack of financing capability has been one of the largest single factors in the attrition rate of commuters over the years. The other major causes have been over-optimism, inexperienced management, and in the case of many including several of the largest, a case of gross mismanagement.

Gentlemen, my point in describing our Company to you is to emphasize the fact that the scheduled commuter air carriers are not air taxi operators any longer, we are airlines. Cascade is averaging about 6,000 passengers per month now, and you'll be hearing from several other companies whose traffic is much higher than that. The commuter industry has matured greatly and you will hear several times statistics on the millions of dollars of investment involved and the volume of passengers, freight, and mail that is being carried annually. All these facts will support the statement that the commuter air carriers are

providing an urgently needed service, and are a vital segment of the transportation industry.

I want to re-emphasize the phrases "urgently needed service" and "vital segment of the transportation industry" because it is a cold, hard fact that commuters are providing many communities with better service than they have ever had. This statement is not meant to be critical of any certificated carriers, because in most cases, the local's trend of reducing service into small communities has not been of their choice, but a necessity dictated by economics. Regardless of the reason, the end result has been that many communities have found themselves with completely inadequate airline service. In many cases Commuter carriers are filling this void, and many are doing so profitably due to lower operating expenses, and with more flexibility due to their being very localized.

Cascade does not necessarily advocate subsidy for commuters. We are operating our route system profitably, and I believe that continuing to use good management practices, such as being very cautious with expansion and keeping a close eye on costs, we can continue to do so. It seems to be a terrific waste of taxpayers money, and the finances of the regional carriers, to require them to service routes on which they are losing money even with subsidy, when a company such as ours could operate these routes profitably without subsidy or at least with a lesser amount. Of course, there are some routes on which no carrier can make money, these would require continued use of some form of subsidy, and I think that it is in these areas that Chairman Browne's bid program would fit very well.

In recent months, Cascade has had the opportunity of looking beyond its immediate problems and has devoted a considerable amount of time and energy to the problems facing the commuter airline industry. Cascade is fully confident that the commuter airline provides the most viable key to providing frequent, convenient and reliable air service to small town U.S.A. There are a number of conclusions that have been developed by the Aviation Subcommittee and Senate Commerce Committee in its hearings throughout the country that Cascade fully supports. In order to provide further orderly growth of the commuter airline industry and enable it to service the important markets that are becoming increasingly dependent upon it, Cascade supports certain legislative and regulatory changes.

First: Cascade believes that the commuter industry needs protection in the form of a certificate such as the limited air carrier certificate incorporated in the bill introduced by Senator Pearson of Kansas. Along with this I hope would come some form of route protection which would guard against the bandit raids of the stock float schemers who have plagued the industry. In spite of the success that Cascade or any other commuter may enjoy, and the expenditure of substantial sums of money to reach profitability, this success can be severely damaged by the entry of another commuter airline on the same routes. We have had to weather several of these occurrences in our area.

Second: Consideration should be given to providing financial support to commuters who are servicing established market areas. Even though Cascade does not favor direct subsidies to commuters in most cases, we do believe that guaranteed loans, and development or equipment loans would help in stabilizing the industry.

Third: I believe the Federal Government should support the development of a new commuter aircraft capable of carrying twenty-five or thirty passengers, pressurized, with a cabin attendant, and lavatory facilities. This aircraft could be either a turbo-prop or a pure jet, and should be capable of operating off fields that are presently in use by commuter airlines. Economic regulations by the Civil Aeronautics Board and increased safety regulations by the Federal Aviation Administration should accompany this new concept, to insure the public the best possible service and the most value for its tax dollar.

These items are what I believe are needed by the commuter airline industry to enable it to continue to provide the small community with the service it so badly needs. I feel that careful planning and regulation is needed to insure that the commuter air carriers continue to serve the local areas and do not attempt to follow the path of the regional carriers which has led to a growing away from the small communities. There would be no sense in allowing the commuters to expand and stretch out and then find the smaller communities facing the same problem ten years from now, that they have today.

Probably the most important requirement the commuters have is a form of certification which would give the recognition necessary to solve such problems as the lack of available financing. I also hope this would tend to deter the

vicious attacks being made upon the commuters, with no regard to the needs of the traveling public or the taxpayer, by some self-interest groups who are determined to permanently wipe out the third level industry if possible.

Mr. Chairman, in summary I only see three alternatives to the problem of local air service to small communities. (1) Increased subsidy to the regionals; this would seem to be a waste of time and money and only a very temporary solution to the problem. (2) A route strengthening program for the regionals; to me this would seem to be simply delaying the inevitable and further encourage the present growth away from the small community. (3) Replacement by commuter air carriers; this seems to be the only logical and economical direction to take, and if given the opportunity I know the third level industry can prove this to be so.

I feel that Chairman Browne's bid proposal is an important step to be taken, but I firmly believe that it is a solution to only part of the problem, and I don't believe we can wait three years for the results of this experiment before taking action on what is already an urgent situation. It has been two years since the last hearings such as these were held and the information gathered at that time was basically the same as now. The main difference being that the commuter industry has grown and matured. The needs of the small communities still exist, and events of the past several months dictate that the time has come to carefully evaluate the situation and take some positive action, because the problem is not going to solve itself.

Mr. Chairman, on behalf of Cascade Airways, I would like to thank you for the opportunity to express our views.

CHAMBER OF COMMERCE,
Walla Walla, Wash., April 6, 1972.

U.S. SENATE,
Aviation Subcommittee, Washington, D.C.

DEAR SIRs: We would like to take this opportunity to present to you the feelings of the Walla Walla Area Chamber of Commerce and the citizens as a whole of Walla Walla on the subject of air service to our area.

Walla Walla, due to its geographical location and lack of interstate highways, passenger train service, or adequate bus service serving the area, has an immense problem of attaining transportation to and from our area. The transportation problem has a tremendous economic impact on our area both from the standpoint of allowing many of our businessmen to make their needed travels outside our area and allowing our area to be serviced by outside firm representatives. In some cases, firms located in our area have had to move their headquarters operations to other locations that had better modes of air transportation. As a result of this, our economy was affected. It is not too hard to see that if we are to stop the national trend of rural migration that one of the aspects that must be looked at will be upgrading of air service to communities such as ours.

Presently, we are being served by Hughes Air West and Cascade Airways. Hughes Air West service has been erratic and unpredictable; however, it must be pointed out that some of this has been due to their recent strike. They recently announced an increase in the flight schedule starting April 30th, 1972.

Cascade Airways has been serving the area since early in the fall of 1971 and has greatly augmented the needed service to the larger metropolitan areas from Walla Walla. It goes without saying that if it had not been for Cascade Airways during this strike of Hughes Air West, Walla Walla would be an isolated community as far as air travel as so many others were during this period. Cascade's schedule has been extremely compatible for making connections in the major metropolitan areas for our business and citizen air travel and for their return.

Another extremely important part of Cascade's program to our area is the fact that they have been able to supply a service of parcel delivery to our area at a very rapid rate. This is extremely important to an agricultural area such as ours especially during the time of harvest when the need of replacement parts is a matter of difference between profit and loss.

We strongly urge the Aviation Subcommittee to give strong consideration to support assistance to the commuter airlines so that they may continue to expand and upgrade the needed air services to rural America to help in the needed economic growth and in reversing the rural migration.

Sincerely,

ROBERT B. WHITNEY,
President.
GARY W. WEBSTER,
Manager.

GREATER YAKIMA CHAMBER OF COMMERCE,
Yakima, Wash., April 5, 1972.

MARK M. CHESTNUTT,
Cascade Airways,
Spokane, Wash.

DEAR MR. CHESTNUTT: The Aviation Committee of the Greater Yakima Chamber of Commerce would like to express its concern regarding the need of a Commuter Air Carrier service to this community. We feel this is a vital part of our overall transportation system.

Especially important is the capability of easy communication with Commuter Air Carrier Management to resolve problems and discuss possibilities of new schedules which would better serve the community.

We also believe this type of service is valuable to any community, especially one that is semi-isolated from major metropolitan areas.

We would like to take this opportunity to express our appreciation for the excellent service that Cascade Airways gave the Yakima community during the recent Hughes Airwest Strike.

Respectfully,

ROBERT RANKIN,
Chairman, Aviation Committee.
NED VAN AMBURG,
Vice-chairman, Aviation Committee.

STATEMENT OF MAX CRITTENDEN, COUNSEL, CASCADE AIRWAYS, INC., SPOKANE, WASH.

MR. CRITTENDEN. Thank you, Mr. Chairman. I appreciate your patience and indulgence.

It is a privilege to have this opportunity to submit this statement to the Aviation Subcommittee of the Senate Commerce Committee. My name is Max D. Crittenden. I, too, am a practicing attorney in Seattle, Wash. For more than 2 years I have been counsel for Cascade Airways, a Spokane-based commuter airline, and have been closely associated with Cascade in both its legal and business affairs. At the present time I am vice president of legal and corporate affairs for Cascade Airways as well as being a member of its board of directors.

I am pleased to say that during recent months Cascade has been taking a broad and enlightened look at problems facing the commuter industry. As a result of opportunities presented to me I have been serving as chairman of a coalition of commuter air carriers. More than 20 commuter air carriers have participated on this coalition. I am not presenting this statement as an official spokesman for this coalition since the coalition has completed its undertaking and has submitted its final report. Nevertheless as a result of my association with the involved commuter air carriers and the studies that I have made and directed, I believe I have obtained a certain overview of the commuter airline industry that might be useful to the work being done by this subcommittee.

There are a number of points in my statement that are a little bit different from the points that heretofore preceded.

The importance of the commuter airline industry as a part of the National Air Transportation System is becoming increasingly evident. In 1971, 4,500,000 revenue passengers flew on commuter airlines. In 1972 it is estimated that 6 million revenue passengers will utilize the services of the commuter airline industry. This growth has been made without any Government subsidy and in spite of a number of handicaps faced by the commuter airlines.

This is the type of airline we are talking about. This is the type we are talking about when we talk about commuter air carriers, the carrier operating from fixed facilities. He is there all the time. When the passenger comes to find the airline, the airline is there. It is not to be confused with the type of air service referred to in derogatory terms—I notice some of the testimony taken heretofore by the subcommittee would fall in that category.

The commuter airline industry is not to be confused with the air taxi industry. Commuter carriers operate from fixed terminals with ticket counters, baggage facilities, operate on fixed schedules, publish schedules and fares in the OAG, use teletype and leased wire reservation systems, are parties to interline ticket and baggage agreements with certificated carriers, fly modern multiengine turboprop aircraft with full avionics frequently including radar, use two-man crews with ATR rate captains, and because of the above have substantial capital investments and operating costs.

The birth of the commuter airline industry actually can be dated from the advent of the modern turboprop powered commuter aircraft, particularly the Beech 99 airliner and the DeHaviland Twin Otter. It has been illustrated and a great deal of testimony has been taken with regard to the aircraft. The availability of these aircraft has permitted the phenomenal growth of the commuter airline industry and the demonstration of the ability of the commuter airlines to provide frequent, convenient and reliable service to local communities. It has been demonstrated again and again in many parts of the country that the commuter airline is the answer to the local service problem of small towns and communities that cannot support service by regional airlines without permanent, substantial and ever-increasing subsidy payments by the Federal Government.

A pattern is becoming evident. The commuter airline industry has gone through growing pains. Because the commuter airline industry is not federally subsidized it has been necessary for the various commuter airlines to find and establish a pattern of service that can be economically self-supporting. There have been false starts and numerous failures but there are becoming an increasing number of commuter airlines that have found the means of profitable operation. The typical commuter airline system itself is most frequently dependent upon the existence of a form of physical or geographical barrier making alternative means of transportation more than usually difficult.

I believe the DOT in speaking of multi-modal was speaking of this type of thing. These barriers might consist of mountainous terrain, a body of water, or in the eastern seaboard or other equally populated metropolitan areas surface barriers in the form of horrendous traffic congestion. There are also instances where the commuter airline success is keyed to the existence of a highly specialized market such as a ski area, military base, or a resort area. I mention these things only to point out the fact that commuter airlines are not all of a kind. Commuter airlines are local airlines. In most cases they have typically local problems. There probably aren't any two that have the same problem, that have the same market situation. This is important in realizing the type of problems that are facing this industry. Sometimes the industry has a hard time making up its mind as to what the problems are.

There is another type of commuter airline market area where the need for commuter airline service is evident but the ability of this type of market to become self-sustaining has not been clearly demonstrated. This is the type of market area prevalent over rural America where the cities are small and the distances to be traveled are great. These types of market areas are prevalent throughout the western part of the United States and in the midwest and the south, away from population concentrations. The reason for the question over whether these types of market areas can ever sustain commuter airline service without outside financial support is because of light traffic loads and because of the travel distances involved very high fares would be required. Many of the communities of this type in this country have no air service at all. Other communities have service by certificated local service carriers where the adequacy of service is dependent upon a permanent high level of Federal Government subsidy. The need for convenient and dependable air service to communities in this market has been clearly demonstrated by the previous testimony taken by this subcommittee and by the obvious needs of these particular communities.

It was my belief the Civil Aeronautics Board bid proposal was to reach this market. Evidently my assumption was not correct.

It is evident that the bid proposal of the Civil Aeronautics Board is designed to assist this market. The commuter airline presents the best if not the only hope for providing frequent, convenient and dependable air transportation services to local communities. I think those three words are key words in the success that the commuter industry has enjoyed throughout its history, frequent, convenient and dependable.

In many cases the areas serviced will be self-supporting without the necessity of any form of a subsidy payment. In other instances, if it is part of the Department of Transportation policy that the services be provided, it may be impossible to provide an adequate level of service without the payment of some form of subsidy. In any event even if subsidy is required the commuter airline can provide the service far more efficiently and at far less cost than could a subsidized regional or trunk carrier.

In order to permit the logical and we feel inevitable growth of the commuter airline industry some of the handicaps that have been facing the industry should be removed. The following recommendations are made. These are my own. They are not necessarily those of the industry.

1. The commuter airline industry must be recognized as an integral and vital part of the National Air Transportation System.

2. Artificial impediments standing in the way of the logical and inevitable growth of the commuter airline industry should be removed. These impediments include lack of full recognition by other segments of the industry; ALPA opposition to route replacement by commuter airlines on local service carrier routes where it has been demonstrated year after year that adequate service by local service carriers cannot be provided without unreasonable subsidy levels; full interline ticket and baggage privileges; publication of combined fares and tariffs without discriminating against commuter airlines should

be available; and any arbitrary restrictions against commuter airlines in the carriage of mail by contract should likewise be removed.

I think all the points made say that service should be the determining criteria of whether the commuter airline provides the service or another type of airline.

3. The commuter airline industry must be certified as a limited air carrier or commuter air carrier as provided for by the Pearson bill and this certification should protect the commuter airline that has developed a market against the unlimited competition that is presently possible.

4. The commuter airline industry should be regulated both by economic regulation and safety regulation as required to insure the stability and dependability of the industry. The level of regulation should not be unnecessarily involved or burdensome to the commuter air carriers and to the fullest extent possible the internal management and business management of the commuter airlines should be left unregulated.

5. Mergers and absentee ownership within the commuter industry should be restricted to preserve the ability of commuter airlines to respond to local needs which is so important to their success. This point is one absolutely vital and of the utmost significance so the commuter airlines can make their services specialized for the communities.

At the time of preparing this statement the legislation proposed by the board to implement the Board's bidding proposal was not available. Nevertheless, because of the importance of this proposal there are certain comments that are pertinent. These comments are based upon Chairman Browne's public announcement of the proposal and the Board's press releases that accompanied the public announcement. I feel the Board is to be applauded for taking an important step designed to link communities not presently serviced to the National Air Transportation system. Apparently my observations are not entirely correct.

There are, however, certain objections to the proposal as announced that have come from within the industry that should be taken into consideration in evaluating and structuring the final form taken by the proposal.

First, there are fears that the competitive bidding system as it is usually understood is not well suited to the airline industry. Second, the temporary nature of the award to a servicing airline is contrary to the usual desire to have an airline that is permanent and dependable. The concern has been expressed that a carrier holding a 3-year certificate, that could be replaced by another carrier at the end of the 3 years, would have an impossible time obtaining any form of financing because of this lack of permanence. If I read the proposed legislation correctly, not only would the carrier be prevented from replacing itself but it would be prohibited from this.

Third, the Board's announcement speaks in terms of requiring the bidding carriers to post a bond. Concern was expressed that such a bond would be virtually impossible to obtain.

The idea as advanced by the Board is that this bond should be adequate to provide a substitute service in the event of the default of the initial contracting carrier. Many observers feel that such a bond would be virtually impossible to obtain because it would require the posting

of substantial and possibly 100 percent collateral before such a bond could be obtained.

The bid proposal would do little toward providing financial strength or stability to the commuter airline industry in general. It would have a very limited applicability and would ultimately provide air service to only a very few communities and passengers. In spite of the objections, the Board proposal must be viewed with an open mind, and every effort should be made to find a means of overcoming any potential objections because somehow the means must be found to make air service available to communities that could not otherwise obtain such service.

In conclusion I would like to extend my appreciation to Senator Magnuson, Senator Cannon, Senator Pearson, the members of this subcommittee and its dedicated staff for the fine work that has been done on behalf of the airline industry, and in particular with respect to service to the small communities.

I would like to thank you and the other members of your subcommittee for the fine and tireless work you have done in connection with the industry. Thank you very much.

Senator CANNON. Thank you. I am going to raise a few questions now. Any of you, if you want to respond just so indicate.

First, with respect to your statement here, the competitive bidding system as usually understood is not well suited to the airline industry. I don't know exactly what you mean there unless you are referring to the type of bidding that we used to have with the carriers when they came in for the military contracts and bid such a low price that it was a question of whether it was actually an economic rate of return. Is that what you are referring to?

Mr. CRITTENDEN. This is part of it.

Senator CANNON. It might be a dog eat dog situation where you are really bidding for the low cost to try to stay in business.

Mr. CRITTENDEN. This is right. This is part of the objection to it.

Senator CANNON. Now, you also say that the temporary nature of the award is contrary to the usual desire to have an airline determined dependable. I can well understand that statement but I also would have to point out that this award certainly could not go on for an indefinite period of time. I think you have to recognize that if a contract is awarded, that it would have to be of somewhat a limited duration, perhaps on the order of—suggested by the chairman or perhaps on the order of the awards by the Post Office Department.

Mr. CRITTENDEN. It may mean, Mr. Chairman, that this might turn into a development award which would be a one-time award. I hope that that was somewhat inherent in my statement. It might be that 3 years of financial support to commuter airlines would be all that it would require and at the end of the 3 years, the company could continue on and provide the same level of service without the necessity of any further subsidy support.

But the concern would be if you had a continuous change of airline, it would not tend to develop much of a market in the community being serviced.

Senator CANNON. I do not think the chairman's statement that they would absolutely have to change at the end of 3 years but that there

would be a new contract and it would be open for bid. There would be no preference given to the carrier that had the bid before.

Mr. CRITTENDEN. The legislation, if I am not mistaken, states that the contract could not be renewed. Of course, as the bill itself was proposed, the entire experiment would only last for 3 years.

Senator CANNON. It says the contract would not be renewed. Just simply that there would be a new contract. It does not mean the contractor could not be the same contractor.

Mr. CRITTENDEN. Incidentally, I am not expressing necessarily opposition to the contract proposal but am merely raising these questions that have been voiced.

Senator CANNON. I understand. I understand. One of the questions that I had was in seeking this stability for the commuter air carrier industry, would the certification by the CAB provide that stability actually, or is really what you are seeking here to be certificated in so that somebody else cannot come in and get your route, is that the sort of thing you are after?

Mr. CRITTENDEN. We believe the proposed legislation would help us to help ourselves by adding stability to the carrier in the form of permanence and in the form of a certain amount of regulated monopoly, yes.

Senator CANNON. So that you would just be keeping somebody else from coming in on top of you as they can do now?

Mr. CRITTENDEN. We spend a great deal of money—each and every carrier has spent a great deal of money to develop a profitable market. As it is now, that market can be watered down to the extent where it cannot be profitable any longer for anyone. This is the sort of thing we would—

Senator CANNON. Any of you had the experience of someone coming in on top of you after you developed a particularly good market area?

Mr. CHESTNUTT. In our particular area, since we started operations, we have been incorporated for 3 years. Our present scheduled operations had originated May 1970. We have operated continuously since that time. In that past 2 years we weathered at least two specific occurrences where—and I mentioned in my statement here which I did not want to say, I suppose I should not have printed it that way: Stock float schemers, who come in for a quick buck operation. They organize a commuter airline hoping to skim money off the top. They can damage a market such as ours. They usually burn themselves out very rapidly. One operation lasted 45 days, another one lasted 9 months. This has happened throughout the industry.

Senator CANNON. So if you are certificated under 796, this would provide you a degree of protection then from that sort of thing?

Mr. CHESTNUTT. Yes, sir. Our concept would be to provide some sort of route protection whereas another commuter operator, if they desired to operate in that route, would have to apply for a certificate, would have to show cause, have to show a need for additional service on that route. They could be issued a certificate. However, the present free entry would be restricted so that an operator could not just decide to go out and get a couple of airplanes, start operation overnight,

and parallel us on our routes just long enough to hurt us badly and probably burn himself out and go away as a lot of them have.

Senator CANNON. Going further on this point of certification, do you think that certification alone would improve your position with respect to financing of equipment?

Mr. BALDWIN. Yes, I do. It would give us a degree of permanence which we very definitely now lack by reason of the ALPA decision without a decision of where do we stand. That's the question that's been thrown into the hopper here.

Senator CANNON. Now that you raise that ALPA decision, several of you indicated that this would solve that problem. How would it actually solve that problem? Could the Board, if you are certificated, still wouldn't you have the problem of a hearing before the Board could farm out to the commuters some of these routes now handled by the local service carrier?

Mr. BALDWIN. In the substitution cases that might apply, but there are other cases where, even though the decision of the court is applicable only in its holding to the substitution cases, the rationale of the whole case challenges the entire commuter industry.

For example, in our service between Appleton—Chicago, Appleton—Sheboygan, and various other cities, there is before the Board today the Wisconsin points dehyphenation case in which Outagamie County, the city of Appleton, and the chamber of commerce commenced action about 2 years ago to remove Appleton from the certificate of North Central.

Since that case, Marshfield has come in and asked that they be removed, and Wisconsin Rapids has asked to be removed, and Sheboygan has asked to be removed from North Central's certificate.

In pleading the case, North Central questioned the validity of our continued service by reason of the fact we were not certificated. If we could get this limited certificate, which would be a certificate of public convenience and necessity, and get it with a grandfather clause, then we would have a degree of permanence and we would be no longer subject to the attack of the ALPA case.

Mr. SHAW. In connection with the lack of certification, we have recently petitioned the Board to operate two large aircraft on the Atlanta-Saint Simons run we have been servicing for 2½ to 3 years. Delta's position or opposition has focused in on this very point, in their public statements, and also in their answer to the Board, that is the mere fact that Air South is not a certificated carrier is a reason in itself for the community and for the Board to turn our exemption request down. This is exactly their position, that there is no guarantee if this is granted, and they in turn seek to be released, that air service on a scheduled basis would continue, even though we have established and are running 10 flights a day, where Delta is running one.

This is the basis of their case.

Senator CANNON. The Board pointed out this morning they have granted exemptions for the weight class to carriers carrying over certificated routes or carrying over routes at the present time as well as other commuter type operations.

Mr. SHAW. This is correct, Mr. Chairman. The concern we had was not necessarily how this was viewed by the Board, but what it projected in terms of local community concern. The implication was that if we, as a noncertificated carrier, were to receive our exemption, then

Delta, on the other hand, would seek release from the route. Therefore, the community would no longer be assured that Air South, in a non-certificated posture, would provide scheduled air service to that point.

Senator CANNON. Now if you were certificated, to get back to this case, that was not—decided not long ago, if you were certificated, do any of you think that that would improve your position with respect to a substitution matter?

Mr. BALDWIN. Yes.

Mr. SHAW. Yes.

Senator CANNON. I think maybe I missed that point?

Mr. SHAW. I believe—and I am not a lawyer, but from my reading through the case, the position that ALPA took was the fact that we are not certificated was one of their hangups. They did not say what their position would be if we were certificated. They merely indicated that the Board should not grant substitution agreements to noncertificated commuter carriers. I would assume if we are certificated that we have bridged one hump.

Senator CANNON. You would still have to, under the court's decision, you would presumably still have to come in and have the Board hold a hearing on this question?

Mr. CRITTENDEN. Yes.

Mr. COLKET. Yes.

Mr. BALDWIN. We are also agreed that there would be a much greater degree of regulation and we would be required to continue service to the points on our certificate. If we failed to serve those points with a reasonable degree of certainty, the points could be picked up. We are asking for more regulation.

Senator CANNON. Have any of you done an assessment of what certification by the Board would mean to your company in terms of increased costs?

For example, legal fees, filing requirements, and so on? What would be the impact of these costs on your business?

Mr. CHESTNUT. Mr. Chairman, I can't answer that precise question. However, I would like to point out one thing concerning certification, and that is that certification that we are requesting is not the present standard, full 401 certification. That certification—we are looking for some solution to this problem which would mean a different type of certification without all of the undue burden or the burden that would be placed on a commuter carrier now to apply for full certification. I can't say exactly what this would be. Maybe some of the other gentlemen can. What the difference in cost would be. Full 401 certification would be very expensive.

The type we are looking for is something more limited, not as expensive for someone like ourselves. We are operating a scaled-down operation, the certification could conceivably be scaled down.

Senator CANNON. What you are really saying is if you were grandfathered into this bill, there would be minimal requirement as far as the certification incidence or concern?

Mr. COLKET. That's right. Altair feels that it would definitely have to be a scaled-down version of certification.

But one of the other points I wanted to bring to your attention is that because we are not certificated, we cannot even show connections as Tom Miles pointed out, in the OAG. We feel we could add

at least 15 percent to our traffic by just showing connections, nothing more.

Senator CANNON. Now is that dependence simply on the fact that you are or are not certified?

Mr. COLKET. It is part of it. They tell us we can't be listed because we are not certificated carriers.

Senator CANNON. All of you raised the question in different forms as to interline ticketing and baggage handling. I understand some of you have worked out your own arrangement and some of you have not been able to. Is it just a matter that this is up to each commuter and the particular carrier he is dealing with as to whether they can or cannot work out an agreement?

Mr. CRITTENDEN. Interlining of baggage is not such a problem as tariffs.

Mr. SMITH. Joint fares. You can't compete without a joint fare. Some of the carriers categorically exclude you from using joint fares.

Mr. COLKET. We are segregated in the airline guide.

Mr. SMITH. Delta has reversed itself and gone from Braniff to Texas International into Dallas and filed a joint fare. We can't do that. It is less expensive. Delta won't file a joint fare with a commuter.

Senator CANNON. Does that mean simply that you have to add your total fare onto their fare and you can't give a—

Mr. SMITH. And the joint fare provides a reduction.

Mr. SHAW. The certificated carriers evaluate joint fares. It is the economic pressures of the time that determine whether they are going to have them. We have them with Delta as with many others.

Mr. WILBOURNE. It is the publication of them where you run into difficulty. A couple of years ago, the Board permitted carriers to file joints with commuter air carriers. But you have to negotiate or concur in a separate tariff with each carrier. If you are dealing with 15 carriers, you have 15 separate tariffs. Now we cannot publish these fares. People have no knowledge of them on a nationwide or international basis. You simply cannot have them published in the tariff. This is a requirement of certification. They say that you have to be a certificated carrier to participate in the consolidated tariffs.

Certification also would bring relief to the community. We speak of bringing relief to ourselves. The communities have invested millions of dollars in airport facilities. To have commercial airline service in their community, they built these airports, the terminals, the hangars, the navigation facilities. They would feel much more at ease if the commuter industry were certificated to have some permanency.

Mr. COLKET. I think that's a very important point to remember. Commuters could now, if they so desire, shut off the key to these communities, just like that.

Senator CANNON. Yes, sir. Thank you very much.

STATEMENT OF JAMES A. PICKETT, VICE PRESIDENT, MARKETING AND CORPORATE PLANNING, AIR MIDWEST, INC., MUNICIPAL AIRPORT, WICHITA, KANS.

Mr. PICKETT. Senator Cannon and other distinguished members of the committee, I have a prepared statement I would like to read, but before I do, I would like to make one comment.

I sincerely wish the CAB would stay here to see these presentations. I also sincerely wish that they would listen to them. I think there is a tremendous communications gap right now between the CAB staff and our industry. I think it would be a day well spent for all of them.

My name is James A. Pickett, vice president, marketing and corporate planning, of Air Midwest, Inc. We are a commuter air carrier based in Wichita, Kans. On May 15 of this year, we will celebrate our seventh year of operation.

Air Midwest operates a route structure located between Kansas City, Mo., Wichita, Kans., and Denver, Colo. Our primary markets are the cities of western Kansas—Hutchinson, Great Bend, Hays, Dodge City, Garden City, and Salina—with over 90 percent of our passengers, freight, and mail revenues generated from these points. They are shown on the cover page of this presentation.

We started our operation with a single engine aircraft and one employee, our president, Mr. Gary M. Adamson. In October of 1968, we replaced Frontier Airlines in Dodge City, Kans., on a temporary suspension route; and there on October 1, 1970, we replaced Frontier Airlines at Hutchinson and Great Bend, Kans., on the same type of replacement.

These route suspension programs have had the support of the communities involved because they substantially increased their frequency of service to and from the economic and transportation centers which we serve.

At the present time, Air Midwest operates two Beech 99-A jetprop airliners; two twin-engine, high-density Cessna 402's; and one single-engine Cessna 206 which is primarily used for freight.

The backbone of our scheduled operations are our Beech Model 99's which fly scheduled flights between Kansas City, Mo.; Wichita, Kans.; and Denver, Colo., through the western Kansas communities we serve.

Our 402's supplement our 99 service with early morning and evening service between Dodge City, Garden City, and Wichita, Kans., and Kansas City, Mo. This route is tied in with an air-taxi mail contract between Dodge City and Pueblo, Colo., on a 5-day-a-week basis.

We have 61 employees and own a complete, in-house maintenance facility in which we perform all of our own maintenance. In addition to this, we have complete interline communications; we are on the airing system, communicating with other airlines.

Our operations is very similar in fashion to Mr. Colket's with the exception we do not have commuters.

Our company has been providing scheduled air transportation to small communities in western Kansas, which are in an area of some of the lowest density of population per square mile in the United States. Some of these cities, which have been certificated points for many years, have, in the past, produced less passenger traffic than almost any of the 466 local service points in the United States.

In 1968, we carried 4,762 passengers in scheduled service; in 1969, we carried 16,631. In 1970, we carried 29,419; and in 1971, we carried almost 34,000.

It is important to note that 65 to 70 percent of these passengers in 1971 interlined to or from regional or trunk carriers at our three hub terminal points. Over 95 percent of our traffic is generated to or from the six western Kansas communities we serve.

As we have grown in the last 3 years, we have flown over 4.5 million statute miles, which has produced in excess of 46 million available seat-miles to and from the isolated markets we serve, without a fatality or a serious incident.

In 1971, we scheduled 18,906 departures and had a total completion factor of over 90 percent. Our system load factor for 1971 was 44.9 percent. I might add this is the highest load factors of the city pairs in question of any airline that has ever served in that market.

In 1971, our average passenger trip length was 253 miles; and bear in mind this was with aircraft under 12,500 pounds. The average commuter trip length is 177.

In the commuter air carrier traffic statistics published by the CAB for the year ended June 30, 1971, Air Midwest ranked 16 in the top 50 commuters in terms of passenger-miles. I think this is important to note because the top one, two, and three have seven times the airplanes we have. Some of the big ones.

In February of this year, which is usually our worst month due to weather delays, Air Midwest had a 77.1 percent ontime performance figured by the standard CAB formula. These figures do not show bigness, because we do not serve big cities, but they do show we have been as consistent and reliable as Mother Nature will allow us to be.

Because of these figures, we feel we have had more experience in the last several years at providing scheduled air transportation to the truly isolated small communities utilizing aircraft under 12,500 pounds; therefore, we have prepared some facts, figures, and ideas based on our firsthand experiences which I would like to share with you today with the most sincere hope that we can make a meaningful contribution to a permanent solution of providing good, reliable airline service to small communities and, at the same time, greatly reduce and/or eliminate the increasing cost of subsidy provided for this purpose; and last, but not least, to allow the commuters who have pioneered this new concept of scheduled air transportation to gain the recognition we deserve and become full participants in the airline industry.

First of all, we have prepared a comparative analysis on Dodge City, Kans., our first route replacement point; and I know you gentlemen will find it very interesting. We have selected Dodge City because it is an extremely good example of the many small, isolated communities which have received certificated, subsidized airline service in the past.

Dodge City, other than being the subject of the alltime favorite television program "Gunsmoke," is a thriving community of 15,000 people and is a rural trade center for about 30,000 people, and it is in the heart of the wheat and cattle-raising country.

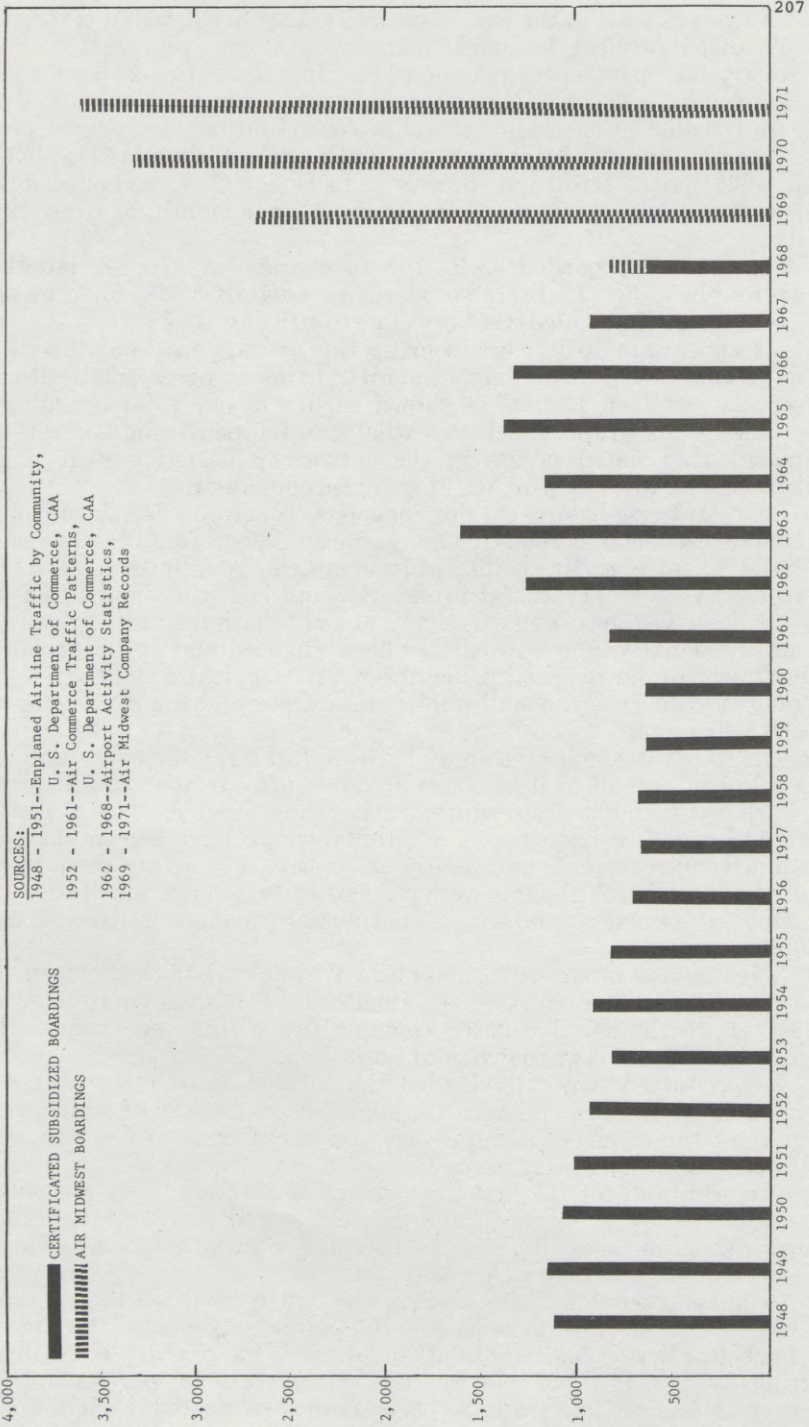
Therefore, its economy, like most small communities of its size in the western part of our country, is based on agriculture and agricultural manufacturing and services.

It is isolated, being approximately 350 miles from Denver, which is almost a 6-hour drive by car; 350 miles from Kansas City, which is also about 6 hours by car; and 150 miles from Wichita, which is about a 3-hour drive by car.

Here you will find a graph showing the total passengers boarded at Dodge City from 1948 through 1971, year by year.

(The graph follows:)

JUDGE CITY, KANSAS ANNUAL BOARDINGS---1948 - 1971



As you can see, in the last 20 years, Dodge City received certificated, subsidized service; it boarded about 1,000 per year and averaged exactly 83.8 passengers per month during the entire 20-year period. Dodge City was one of the worst, if not the worst, in terms of passengers boarded in the entire 466 eligible certificated, subsidized points.

Late in 1968, Air Midwest replaced Frontier Airlines at Dodge City. In 1969, our first full year of service in Dodge City, we boarded 2,711 passengers which was an average of 225.9 per month, or over six per day.

In 1970, we boarded 3,249, for an average of 270 per month, or over eight a day. In 1971, we boarded a total of 3,568, for a monthly average of 297.3, which was very close to 10 a day.

It appears in 1972, we will bring this average up to almost 12 per day; and we are experiencing similar gains in other small cities we serve in western Kansas as shown earlier in our total boarding increases. This graph illustrates what can happen to one of the most marginal, isolated points in the entire certificated system if it is turned over to a well-run, well-organized commuter.

Air Midwest has no service contracts to help us defray our operational costs such as the Allegheny concept. Therefore, we have had to build an entire airline transportation system from the ground up. And to achieve the operational proficiency and boarding increases I have just described, has been extremely difficult, both mentally, physically, and financially. Our growth has been financed mainly by private investment of our original principles, a \$100,000 loan from the five communities we serve, a small public stock issue, and finally, a long-term SBA financing.

In short, it has been a long, hard, uphill fight for every dollar we could get, and all of it has been invested into our operation to make it work better and keep our equipment safe and reliable.

Although we have not been profitable, we have shown slow, continued improvement; and finally, it appears that we are about to see a little daylight. Although we have had to take on so much long-term debt to get where we are, it continues to make our life extremely difficult.

Meanwhile, in late 1970, class rate V appeared on the horizon. This was, of course, an effort on the Board and Congress part to improve service to the small isolated communities within the framework of regulations and laws they had to work with.

Class rate V basically loaded the subsidy heavily into the small class E stations which board 14,000 or less, and many of which, in our part of the country, as I am sure you know, Senator Cannon, board 5,000 or less on a yearly basis.

In addition, for the first time, the small aircraft was made subsidy eligible, in order to encourage the certificated carrier to experiment with them in scheduled service. This development has a demoralizing affect on all of us here at Air Midwest.

I guess it wouldn't have been so bad, but we realized that in a place like Dodge City, we were serving the public convenience and necessity far better than it had ever been served under the 20 years of certificated subsidy, plus the fact that we knew our operational performance was every bit as good, in many respects, as the certificated carriers.

And, quite frankly, it hurt our pride because we have a great sense of accomplishment, particularly since we had pioneered service with small aircraft in our part of the country and had gone through the time-consuming hard work of selling the concept of the small aircraft to our cities and had really made it work.

Most of all, I might add we began to wonder if the CAB was really interested in solving the problem of good service to small communities.

However, we totally agreed with the statement that Chairman Browne made before this committee in 1970 when he said, "There are some real problems in subsidizing commuters—not perhaps as much with subsidizing them but the method whereby we do it."

We realize that if commuters were put on a class rate or direct type of subsidy, in a matter of a few short years, you would be dealing with the same type problem we are trying to solve today—more subsidy and less service to small communities.

Of course, this is a matter of mechanics, which we feel is the real key to solving the whole problem. In 1970, as we looked around on a nationwide basis to try to understand the problem better, we began to realize that service to the small isolated communities was a severe and complex problem to which there was no easy or uniform solution.

So we rolled up our sleeves and began to study it, from our point of view—comparing our performance and traffic gains to what had been done in the past with the system of certificated local service carriers.

The main objective of our study was to come up with a way to provide a low-cost—in the form of financial aid—high frequency, localized air transportation system for the small, isolated cities under the certificated system. Immediately, we identified that if a small air transportation system to small communities was going to be a real success, both operationally and financially, it would absolutely have to come to a point in time where it could stand on its own and be self-sustaining.

As we got deeper into the problem, it appeared the relationships between passengers boarded and subsidy need required under the class route subsidy program were becoming extremely acute and farther apart all the time; specifically, in the isolated certificated points boarding less than 7,000 passengers annually, many of which, as I am sure you know, Senator Cannon, are west of the Mississippi River.

Therefore, our study concentrated on the 161 smallest class E points that are subsidy eligible under class rate V.

I think appropriately enough, we named our program "PART," which stands for Progressive Aid for Rural Transportation. We have presented this program both to the CAB and the DOT. I might add the Department of Transportation had most of the people who gave testimony before you out to see us on many different occasions, and I have been to Washington on many different occasions with my own congressional delegation trying to talk to those people.

In our approach, we took the small aircraft used to serve a pre-selected group of small isolated certificated points and used the cost of the principle and interest of those aircraft utilized to serve the class E points financed over a 5-year period as the financial criteria.

At the end of 5 years' term, the financial aid would terminate, thereby making the system financially free of any support and self-sustaining.

In addition, for the aircraft to be eligible under the program, they would have to be scheduled for a minimum of 7.5 hours on a 6-day-week basis through the certain group of class E cities.

Further, the program called for the participating carrier to split his profits on a 50-50 basis with the administrative agency of the government with a 10-percent return investment figured in for the carrier.

Using our four aircraft and our route system, the cost of the program would have been \$184,000 per year, or about \$6 per boarded passenger as opposed to about \$20 to \$25 per boarded passenger under the class rate system in these cities.

It would increase the frequency of service to these points threefold. In other words, as the commuter continued to increase his boardings as we have and the efficiency of his operation during the 5-year period, as we have per boarded passenger would go down at the end of the program and the commuter would be self-sustaining in the communities he served.

There are some other operational requirements having to do with the eligibility of a carrier for this program which I will not go into right now, but the main purpose of PART is to help the carrier get started and sustain himself while he builds up the boardings at the marginal points.

We realized, like other approaches to the problem, this was far from perfect, but, as I said, it was based on our first-hand experiences of the last several years in taking the smallest certificated isolated points, and, in our case, which were boarding less than three passengers per day and making them self-sustaining and productive for an air carrier. We thought PART was really worth a try, especially since it was based on first-hand experience and it had the written support of the small cities we serve.

Now, the alternatives and recommendations the Board has presented—and they did not get into the alternatives which I have before me which I would like to go into with you—are obviously well researched and thought out. They appear to have the capacity to solve the problem of service to small communities and not just add another bandage to the growing wound.

The massive study the Board just released on service to small communities certainly identifies the problem. However, these recommendations will take time, first, to enact legislation and then a trial period for the Board to prove out their theories, and there is a very real possibility that we could be studied to death by the Board's staff and their new-found consultant, Professor Swine.

I would like to remind you that we commuters have been the first segment of scheduled air transportation to establish ourselves without the benefit of financial assistance or regulatory protection from the Government. Our industry carried over 4 million passengers last year without even the most basic tools of the airline trade; and quite frankly, most of us in our industry need help and need it now, not just money, but the other things you heard from the other people.

If we are going to continue to improve our service to communities, we must be full partners in the established system of air transportation

which has been built by the CAB in the last 34 years. I would like to add this certificated system with all its problem has built the greatest air transportation system known to man. It hasn't worked like it should in the marginal points because we haven't had the right combination of people, equipment and economics up until now.

I think—you are either going to do away with all of it for the commuters, I think, to a very large extent, or let us join it to a certain extent.

Some of us must be able to market our product through the tariff system and we must be able to participate more fully, as my brothers have said, in joint fare agreements with the large trunk and regional carriers, and most of all, we must have greater recognition as a scheduled segment of the air transportation industry.

And, we needed these things yesterday or last year, not in 2 or 3 years. It appears to us that these changes could be accomplished without waiting for an amendment of the Aviation Act of 1958 which would provide limited certification or experimentation or both.

In the final analysis, we know our industry offers the greatest hope for good, reliable service to small communities and a real and lasting opportunity for Congress to reduce and finally eliminate subsidies in most areas.

The one, last and only guarantee that a small community can have to get air service, the proper ability of the carrier to service them.

This ends my prepared statement and I would be happy to answer any questions you have, Senator.

Senator CANNON. I don't quite understand your proposal, you said you require \$184,000 a year.

Is this what you are saying, this would be your subsidy requirement for servicing these areas?

Mr. PICKETT. Yes, sir. We took our route system, and our airplanes and passenger growth and the whole bit and laid the PART—proposal over and it came out to \$184,000.

What I didn't tell you was we specifically asked the Board and DOT for a 2-year demonstration project. We did not ask for this money for the full 5-year term of our equipment.

Senator CANNON. And that would have been to service the same places you are servicing now?

Mr. PICKETT. Yes, sir.

However, I might say that since the time we have submitted this program, the economics of our operation have improved to a point where we can go ahead and take on another aircraft, it appears, for the same amount of money now and pick up a few more of the points out there in our part of the country for the same price.

Senator CANNON. Now, you indicate that the Board could do some of these things now, provide, for example, the interline ticketing and so on.

Mr. PICKETT. It is really the joint tariff that is the big bugaboo in this whole thing.

I wanted to say something so bad when all the rest of my boys were up here. I couldn't quite contain myself.

Senator CANNON. I think they made that same point. I call it interline ticketing. It is the ticketing arrangement which permits you to

file a joint tariff and you get your proportionate amount of it rather than having to add your own ticket on at the end. I understand.

What you are saying is that the Board could do that by regulations now without——

Mr. PICKETT. I think they could. Yes, sir. I really do. I think—for example, it is just like Tris Colket said, we could increase our business by probably 10 to 15 percent if we were just integrated into the O. & D., if we were just intergrated.

I think the Board could—you know, under the act, the Board is supposed to foster and promote and I would like to see them do just a little bit of it for us.

Senator CANNON. Now, from your statement it doesn't sound like you place too much importance on the certification?

Mr. PICKETT. We do. Let me say this, Senator Cannon, so you can get a full picture of this thing: I was the founder of that coalition that made the presentation before you and Secor Browne came to Wichita and made his presentation in Wichita. We stopped everything we were doing to try to evaluate that program because maybe we thought we had been wrong.

And, in pressing so hard to get everybody together, to get some permanent operating rights—we stopped because we wanted to take a look at it.

Quite frankly, we couldn't get very much information on this thing. I went to the Board two or three times after the chairman made his speech in Wichita. We couldn't get enough information to evaluate the thing properly.

I place a great deal of emphasis on certification and I don't really see, after fighting this battle for 4 years, I don't see how we are going to get the things that we need unless we are certificated to some extent.

I think the Board can go ahead and do this, this experiment that they want to do, and it will provide service to communities that don't—that are being offered on a limited scale now.

But, I think the place—I don't think that the experiment should be limited to just one thing, which is the low bid. I think they ought to take on more things, more ideas. If an established carrier has a program that he thinks will work, I think the program deserves some experimentation, too.

Senator CANNON. Now, are you servicing these communities as a substitute for Frontier?

Mr. PICKETT. Yes, sir. Dodge City, Great Bend, and Hutchinson, Kans., are the three route replacement points which we are under Frontier's certificate.

Senator CANNON. Does Frontier subsidize you on any part of it?

Mr. PICKETT. No, sir. They can't. They can't enter into a service contract with us, they cannot enter into—they cannot pass on any money to us. They cannot do anything.

Senator CANNON. Why is that?

Mr. PICKETT. Because of their union contracts.

Senator CANNON. They can do it the other way? They are already a subcontractor under a trunk contractor?

Mr. PICKETT. Who, Frontier?

Senator CANNON. Frontier.

Mr. PICKETT. I wasn't aware they subcontracted for anything.

Senator CANNON. They do that in my own State. They service and handle part of United's trunk line.

Mr. PICKETT. Now, that is one thing, but you see, they have the scope clause in their ALPA contract which specifically states that they cannot enter into written agreement with a third level carrier.

We have battled this time and time again with the folks at Frontier, the management out there.

Senator CANNON. All right.

Now let me ask you this. If the Board's proposal were to go through, as I understood the chairman this morning, you wouldn't be eligible on these routes, would you?

Mr. PICKETT. No, sir.

Here is the thing, the real frustrating part of this whole thing, we have taken Dodge City which boarded less than three passengers a day for almost 20 years and built it up to 10, and this year it will produce an average of 12. It has been a hard, tough battle.

You can't realize that we started this airline out there in Kansas during the same specific time that Mr. Sherer, this morning, was talking about how tough it was to figure class rate subsidy because the traffic was so unstable and all this other, the economy was so bad.

It has just been a darn tough road for us. We would like to be able to get ourselves back into decent financial shape.

I tell you, we really feel that these markets, these small class E markets, especially in Kansas, Nebraska, Oklahoma, and out there in your State, some of them too, can be productive routes if they are operated properly.

But, we have only got so much resources. We have done everything we can. We just raised all the money we can to do what we have done. And now we need a little help.

Senator CANNON. What is your profitability situation now?

Mr. PICKETT. Well, specifically in what regard?

Senator CANNON. Well, how much money are you losing?

Mr. PICKETT. We have cut our losses like in—I will give you a comparison here.

In January of 1970—or January of 1971, excuse me, we lost \$29,000 that month, much of that due to weather. In January of 1972, we lost \$14,000.

In February of 1971, we lost \$32,000 and in February of 1972, we lost again \$14,000.

We had a—we had a blizzard out there and I am sure you are familiar with this, being from the part of the country this happens in, we had a blizzard out there on our city that shut every city on our route system down. We didn't fly an airplane for 4 days.

It is things like this that make it so tough to operate into these small marginal points.

What I was going to say about this experiment is if the Board wants to try it, and think it is deserving of a try, they should try it out there in the high lines of Montana or try in your State, or in Senator Stevens State, in Alaska. If a commuter that has operated in these small marginal points can get a little help to make himself sustaining, this has been our experience, he can get a little help during the growth years to

get him on his feet, we really believe we can make these routes a self-sustaining route.

Let me get into that a little further. The three stations that we have taken from Frontier have been the worst. They have been the worst stations in the whole pattern out there. We believe that if we had a few other good stations—and what I mean by good is a station boarding like, right now, somewhere between 6,000 and 10,000 a year to go along with these other marginal points, we could sustain ourselves while we are building a place like Dodge City that boarded less than three.

I don't want to get involved with this and my company doesn't want to get involved with this mess with subsidies. We really think we can make a profit. That is the only way I believe that we are going to guarantee a community service, is that we are going to make a profit.

Senator CANNON. You call it some other name. You say you are not interested in subsidy, but your program is \$147,000 a year subsidy.

Mr. PICKETT. Yes, sir. But it is a different way of distributing the money which we think is probably the key to the thing.

Senator CANNON. Well, I don't think there is any greater magic in the formula of distribution.

The question is how much help do you have to give to furnish service?

Mr. PICKETT. But here is another problem we identified, another problem that we were studying. We identified that the economics of a small carrier or even a large carrier who serves these points can be the proper balance of equipment, and you can either have not enough or too much.

Now, what we put into the PART program here was a stipulation you had to have 7½ hours a day of utilization on a 6-day basis.

This puts a wrinkle in the thing to where the carrier won't have a tendency to hold himself up on equipment. He is going to utilize that equipment and he is going to make it work on himself. An airplane doesn't do you any good if it is sitting on the ground. You have to keep that utilization up.

Senator CANNON. Thank you very much.

Mr. PICKETT. Yes.

Senator CANNON. We will be in recess until 10 o'clock tomorrow morning.

(Whereupon, at 4:30 p.m., the hearing was adjourned, to reconvene at 10 a.m., April 11, 1972.)

LOCAL AIR SERVICE TO SMALL COMMUNITIES; AND S. 796

TUESDAY, APRIL 11, 1972

U.S. SENATE,
COMMITTEE ON COMMERCE,
SUBCOMMITTEE ON AVIATION,
Washington, D.C.

The subcommittee met, pursuant to adjournment, at 10:10 a.m. in room 5110, New Senate Office Building, Hon. Howard W. Cannon (chairman) presiding.

Present: Senator Cannon.

Senator CANNON. The committee will come to order.

Our hearings will continue this morning on local air service to small communities and S. 796 and S. 3460. We will first hear the Honorable Arthur A. Link, Congressman from the State of North Dakota, who wishes to introduce several of his constituents. The North Dakota delegation will be followed by testimony from Mr. Raymond J. Rasenburger, representing the Association of Local Transport Airlines and he will be followed by other witnesses representing commuter carriers and state aeronautical agencies.

Gentleman, thank you. We are happy to have you.

STATEMENT OF HON. ARTHUR A. LINK, U.S. REPRESENTATIVE FROM THE SECOND CONGRESSIONAL DISTRICT OF NORTH DAKOTA; ACCOMPANIED BY HAROLD G. VAVRA, DIRECTOR, NORTH DAKOTA AERONAUTICS COMMISSION, BISMARCK, N. DAK.; DR. DEL GAB, CHAIRMAN, CHAMBER OF COMMERCE AVIATION COMMITTEE, DICKINSON, N. DAK.; AND JACK DANIELS, MEMBER, NORTH DAKOTA AERONAUTICS COMMISSION, WILLISTON, N. DAK.

Mr. LINK. Mr. Chairman, members of the committee, and Senator Burdick, I appreciate having the opportunity to appear before the Senate Aviation Subcommittee this morning, to help develop adequate transportation services to communities in rural American. In January of this year, I was pleased to read the speech delivered by the Honorable Secor D. Browne, Chairman of the Civil Aeronautics Board. In an address he delivered before a joint luncheon of the Kiwanis Club and the Chamber of Commerce in Wichita, Kans., he addressed himself to the need to provide air transportation service to smaller communities. I commend him for his leadership in this matter of ever-increasing importance to our communities in rural America.

The CAB has decided, after considering many alternatives, to experiment with a contract bid system to provide service in a few selected States. It is their intention to determine whether or not this is a feasible means of providing the air transportation needs of communities that have been unable to obtain service through normal commercial transportation systems. I heartily endorse this experiment.

Since the need is recognized to solve transportation problems in areas like North Dakota and since we are prepared to develop and propose legislation to experiment with solutions, I think that we should broaden the nature of our experiment to include other proposed solutions as well.

This morning I would like to present for the subcommittee's consideration a proposal developed in the State of North Dakota by the North Dakota Aeronautics Commission. In my view, the contract bid proposal does little more than maintain the transportation system that currently exists. The present system in many cases is not very satisfactory nor is it designed to provide air service responsive to the needs of our communities. Airlines that presently serve these communities seem to be unable to offer schedules suitable to desires of the communities they serve. The North Dakota proposal is a comprehensive plan to provide services to all major communities in North Dakota and to coordinate those services with schedules of commercial airlines and transportation systems presently serving our communities.

It is my recommendation, therefore, that in the development of this legislation we consider experimenting with two proposals: the contract bid system, advocated by the CAB; and the North Dakota proposal, that will be presented by the North Dakota Aeronautics Commission. At the end of this experiment, we will have two proposals to compare to determine which one most adequately meets the needs of the communities we are planning to serve.

At this time, for a more in-depth discussion of the North Dakota proposal, it is my pleasure to introduce to the members of this subcommittee, Mr. Harold Vavra, Chairman of the North Dakota Aeronautics Commission. With him this morning is another member of the commission, Mr. Jack Daniels of Williston, North Dakota, and also Dr. Del Gab representing the Transportation Committee of the Chamber of Commerce of Dickinson, North Dakota.

Senator CANNON. Thank you, Congressman Link, for a very fine statement. I just want to make it abundantly clear that we don't intend to consider just the proposal advanced by the CAB. You have hit the nail on the head exactly, as I see it here, when you say "in my view, the contract bid proposal does little more than maintain the transportation system that currently exists."

That is a point that we developed somewhat with the Secretary yesterday, because, as I see it, the Secretary's proposal simply would spin off to the third level carriers service that is uneconomically being handled by the local service carriers now but would do nothing for communities that do not presently have air service. I think that that is one of our biggest problems in this problem of small communities not adequately served at present and the problem that the commuter air carriers are trying to get at. Again, I say I think you hit the nail on the head exactly, and we look forward to hearing the proposal from your associates. And thank you for bringing them here.

Mr. LINK. Mr. Chairman, I want to say I am delighted to have your response to this proposal.

Senator BURDICK. I certainly concur with what you and Congressman Link say, that we had to do something about those areas, particularly in the lesser populated States, and this is a concept that Secor Browne himself recognized yesterday. I am sure he will be interested in the program that we have outlined for North Dakota. I think it is very viable and very sound.

Senator CANNON. Thank you very much. I may say one of the commuter air carriers yesterday advanced the proposal as well that he had already been discussing with the board, he had apparently not gotten very far, but at least it was an alternative solution. Mr. Vavra, we are very happy to have you here.

Mr. VAVRA. Mr. Chairman and members of the Senate Subcommittee on Aviation, my name is Harold G. Vavra. I am the director of the North Dakota State Aeronautics Commission. Our office is located in Bismarck, N. Dak. I am a resident of that city. I am making this statement for and on behalf of the State of North Dakota Aeronautics Commission.

I have been director of the North Dakota State Aeronautics Commission since 1948. I have dealt with problems of local air service in small communities in North Dakota since the early 1950's, when the first local service airlines were certificated to serve cities in the State.

North Dakota has a land area of 70,665 square miles configured east-west a distance of 350 miles by 210 miles wide. The location and separation of the major trade area cities in North Dakota of an average of 100 miles, in my opinion, makes the State an ideal site for an experimental third level intrastate airline operation.

NORTH DAKOTA SUPPORTS LEGISLATION FOR EXPERIMENTAL THIRD-LEVEL AIR SERVICE

I appear here today in support of the proposal of the Civil Aeronautics Board, with some modifications, calling for enabling legislation and an appropriation by the Congress to make it possible for the CAB to experiment with third level air service in North Dakota, as well as in other select States in the United States as recommended by Secor Browne, Chairman of the Civil Aeronautics Board.

I concur with Congressman Arthur A. Link, that in the development of the necessary legislation that the Senate Subcommittee on Aviation should broaden the Civil Aeronautics Board's proposed legislation, to permit experimenting with two basic proposals identified as proposal:

(A) The contract bid system advocated by the Civil Aeronautics Board which basically involves replacement of existing local air service in select areas or States where the service is inadequate with third level airlines on a contract basis for a 3-year trial period:

(B) The North Dakota comprehensive commuter airline proposal advocated by the North Dakota State Aeronautics Commission, which is designed to function as an air transportation system and would:

1. Provide commuter air service by a third level airline between trade area cities in North Dakota, and

2. Provide interline connections with regular CAB certificated airlines at the nearest small hub connecting point in North Dakota, and

3. Provide new air service to select small trade area communities that are without scheduled air service, but can make a showing of public need and necessity, and

4. Require a State agency in North Dakota such as the North Dakota Aeronautics Commission to select the third level airline by due process though public hearings, in which all qualified third level airline applicants are given the opportunity to make a showing of whether they are fit, willing and able to provide the service, and

5. Require that the State agency have the legal power to issue intra-State common air carrier certificates of public convenience and necessity to the third level airline awarded the routes in order to insure route protection, and

6. Provide a subsidy for a 3-year experimental period, which should be contracted by the Civil Aeronautics Board with the North Dakota State Agency, issuing the intra-State common air carrier certificate to a third level airline. Such transaction may be negotiated between the CAB and the North Dakota State Agency.

It is my recommendation that enabling legislation proposed by the Civil Aeronautics Board or by the Senate Subcommittee on Aviation should be modified to include at least two experimental proposals outlined in this statement; namely, proposals (A) and (B).

ADVANTAGES OF TWO PROPOSALS

Advantages of enabling legislation which would permit the CAB to carry out two experimental proposals are:

1. At the end of the experiment, the CAB would be in a position to report to Congress a comparison between the relative merits of the adequacy of the two proposals.

2. Proposal (B) is more suitable in certain States such as North Dakota, since its flexibility permits the addition of new air service to select cities with a demonstrated need, such as Dickinson and Wahpeton, N. Dak.

NORTH DAKOTA COMMUTER AIRLINE SYSTEM PROPOSAL

The North Dakota commuter airline system plan was designed by the Aeronautics Commission after the city of Dickinson, N. Dak., had its air service deleted from the route certificate of a local service airline, after two different third level airlines had failed financially in the State and when local air service was in deep trouble at two other cities.

Mr. Jack K. Daniels, a Commissioner of the Aeronautics Commission, who was introduced to the subcommittee earlier, is one of the principal architects of the proposal along with myself.

The North Dakota commuter airline system plan is designed to provide intra-State commuter air service to nine cities, including Dickinson and Wahpeton, N. Dak., which at present are not served by any scheduled airline, but have suitable airports to accommodate air service (see exhibit A, which is attached).

The North Dakota proposed commuter airline plan would fulfill four specific system functions:

1. Provide each city on the system with a morning departure to its principal points of interest within the State, with an evening return flight.

2. Provide interline connections with major airlines serving the State at the connecting cities of Bismarck, Fargo, Grand Forks, and Minot, N. Dak. North Dakota is served by Northwest, Frontier, and North Central Airlines. These connections will provide the small communities with access to Minneapolis, Kansas City, Omaha, Denver, Seattle, Chicago, Los Angeles, San Francisco, Phoenix, Dallas, Washington, D.C., and New York.

3. Provide each of the nine cities with two round trips per day.

4. Operate solely within the borders of the State of North Dakota, thus eliminating uneconomic competition with the CAB certificated airlines utilizing large jet equipment.

OPERATIONAL FEATURES

There are four principal operational features of the North Dakota commuter airline proposal. They are:

1. The system to be successful will require the cooperation of the major airlines serving North Dakota, especially in the handling of reservations for connecting passengers, baggage, and freight.

2. The commuter airline plan includes complete airline service at each ground station, including a desk model computer for reservations that would be tied into the major airlines computerized reservations system. Each ground station would have the capability of selling regular airline tickets to the final destination and return, including all connecting flights.

3. The proposal requires the commuter airline to maintain full-time ground station personnel at each airport served for customer service.

4. The North Dakota proposal prohibits the commuter airline from extending its service pattern outside of the borders of the State to preclude uneconomic competition with existing interstate airlines.

SERVICE TO NORTH DAKOTA CITIES

Nine North Dakota cities would receive commuter airline service under the proposal including the cities of Dickinson, Bismarck, Devils Lake, Fargo, Grand Forks, Jamestown, Minot, Wahpeton, and Williston.

The proposal includes three route segments, each with two round trips per day, shown on exhibit A, pages 1 to 3 as follows:

Route No. 1 would operate between the terminals of Williston and Grand Forks with stops at Bismarck and Devils Lake.

Route No. 2 would operate between the terminals of Dickinson and Fargo with stops at Bismarck, Minot, and Devils Lake.

Route No. 3 would operate between the terminals of Williston and Wahpeton with stops at Minot, Bismarck, Jamestown, and Fargo.

FLIGHT EQUIPMENT

The North Dakota commuter airline proposal would require four 15-passenger turboprop Beech Model 99 aircraft or equivalent. Three

aircraft would be utilized in daily passenger service on the system and the fourth would be in reserve.

FEDERAL SUBSIDY NEEDED FOR A 3-YEAR EXPERIMENT

The North Dakota commuter airline proposal has been fully costed on a major aircraft manufacturer's computer, programed for this specific purpose. Including startup costs, ground stations, computerized reservation installations, leased aircraft and with passenger fares set at a reasonable level and initial load factors at a medium level, the Federal subsidy costs for this experiment are estimated at \$1 million the first year. \$500,000 Federal subsidy would be required the second year and \$500,000 the third year.

FALL-OUT BENEFITS

Fall-out benefits of this proposed commuter airline system include increased interline passenger boardings by the major airlines at hub cities in the State, where the commuter airline connects with local service and trunk air carriers. This development would ultimately reduce the Federal subsidy required by local service airlines.

CONCLUSION

The North Dakota State Aeronautics Commission supports the request of the Civil Aeronautics Board for enabling legislation and an appropriation by Congress to make it possible for the CAB to experiment with third level and commuter air service in North Dakota, as well as in other select States, as recommended by Secor Browne, Chairman of the CAB, provided such legislation is modified or broadened to permit experimenting with at least two basic proposals, which are:

Proposals:

(A) The contract bid system advocated by the Civil Aeronautics Board, and

(B) The North Dakota comprehensive commuter airline proposal advocated by the North Dakota State aeronautics commission, which is designed to function as an air transportation system and will permit the inclusion of other cities in the subsidized system, without air service, such as Dickinson and Wahpeton, N. Dak.

Attached, Mr. Chairman, is exhibit A, pages 1, 2, and 3. Page 1 shows the route layout of the proposal, page 2 shows the actual route segments and defines them, and page 3 shows the scheduling which was designed to provide the connections that I referred to in my testimony.

Mr. Chairman, if it please the chair, I would like to make one final statement in conclusion. I am hopeful that the subcommittee will broaden the scope of S. 3460 to include experimenting with the North Dakota comprehensive air service plan as outlined in my testimony. I also urge the subcommittee in section 10 of the bill to authorize sufficient funds to expand the experiment along the lines that I have testified. The present bill provides for an authorization of \$2 million per year, which I believe is inadequate and should be increased.

Mr. Chairman, I have a resolution and four letters addressed to the Aeronautics Commission from cities within the State of North Dakota in support of the North Dakota comprehensive air service plan which I would like to have made a part of this record if it please the chair.

Senator CANNON. They will be made a part of the record.
(The information follows:)

CITY OF DICKINSON, DICKINSON, N. DAK.

RESOLUTION

Whereas, it is the announced intention that the Civil Aeronautics Board, Washington, D.C. will be conducting hearings on April 10, 11, 12, 1972, at Washington, D.C., and

Whereas, it is common knowledge that the Railway Passenger Service is on a trial basis serving our community, and,

Whereas, the City of Dickinson, North Dakota, is vitally interested in Air Transportation to serve the community and surrounding trade area, and that these interests include communications with other parts of North Dakota and other parts of Rural America, and is necessary for the social, economic and public welfare of our community, and

Whereas, it has been fully and adequately demonstrated in the past that air service is vital to the interests of the area: Now, therefore, be it

Resolved, That the authorities of the Civil Aeronautics Board, Washington, D.C., and the Congressional Delegation and Department of Transportation use such influence and power, as they may have, to initiate commuter type air service, and

Further, To look favorably on the necessity and advisability of establishing Commuter Air Service to Rural America; be it further

Resolved, That the City of Dickinson, North Dakota, is in urgent need of air transportation for the desires and needs of the people of Western North Dakota and particularly the City of Dickinson, North Dakota.

Dated this 3rd day of April, 1972.

HENRY SEHANK,
President, City Commission.

JAMES K. GEROU,
City Auditor.

Attest:

CHAMBER OF COMMERCE,
Devils Lake, N. Dak., March 13, 1972.

MR. HAROLD VAVRA,
*Director, Aeronautics Commission,
Bismarck, N. Dak.*

DEAR MR. VAVRA: Just a short note to inform you that the Board of Directors of the Devils Lake Chamber of Commerce are behind the proposed Commuter Airline System for North Dakota one hundred percent.

If there is anything that we can do to help promote this Commuter Airline System, please advise us at your convenience.

Sincerely,

ED WENTZ,
President.

WAHPETON PUBLIC SCHOOL DISTRICT,
Wahpeton, N. Dak., April 5, 1972.

MR. HAROLD VAVRA,
*North Dakota Aeronautics Commission,
Bismarck, N. Dak.*

DEAR MR. VAVRA: It has been brought to my attention there is a possibility of commuter air service for the Wahpeton airport. I want to express, on behalf

of the Wahpeton School District, that we are certainly in favor of this idea and would take advantage of its opportunities if and when it might happen.

We have a very progressive airport serving Wahpeton and Breckenridge. I am quite certain our accommodations and thriving business and industry would complement commercial air service.

Sincerely,

RON SHERVEN,
Superintendent.

METROPOLITAN SAVINGS & LOAN ASSOCIATION,
Wahpeton, N. Dak., April 6, 1972.

MR. HAROLD VAVRA,
*N.D. State Aeronautics Commission,
Bismarck, N. Dak.*

Dear Mr. VAVRA: Yesterday for our Rotary program here at Wahpeton we had Mr. Jim Aadland of the of the local Breckenridge-Wahpeton Airport speak to our Club. He talked to us about the commuter system which may become a reality in North Dakota and our firm would express a sincere interest that this would come about.

Having branch offices located throughout the Red River Valley, we do have need for air service. On different occasions it is necessary that we require air travel throughout the State of North Dakota and the possibility of making proper connections with large air lines to attend meetings throughout the United States. We would very much be in favor of a commuter system for North Dakota.

Sincerely yours,

CLARENCE BLADOW,
Vice President.

GREATER NORTH DAKOTA ASSOCIATION,
N. D. STATE CHAMBER OF COMMERCE,
Fargo, N. Dak., April 13, 1972.

HON. HOWARD W. CANNON,
*Chairman, Subcommittee on Aviation, U.S. Commerce Committee, U.S. Senate,
Old Senate Building, Washington, D.C.*

Dear Senator Cannon: The Greater North Dakota Association—State Chamber of Commerce respectfully requests to be recorded a proponent for the establishment of Third Level Air Carrier Service for North Dakota; the service to be approved by the Civil Aeronautics Board but modified to include cities which have no air service or have had previous service and whose circumstances have been altered to the extent that a definite need can be established.

We support this proposition for the following reasons:

1. The rural-urban migration, even in sparsely populated North Dakota, has dramatically altered the needs of several cities which are disadvantaged by the isolating factors of inadequate surface transportation.
2. Previous experience data does not provide accurate facts reflecting present needs and probable use.
3. Trunk and regional certificated air carrier equipment presently in use tends to economically preclude needed and convenient service to cities requiring route segments of lesser length and haul.
4. Convenient and dependable air carrier service enhances the economic potential of an area of sparse population, providing conditions which encourage industrial migration from areas of dense population and industrialization to areas that can readily accommodate increased population and industrial growth.

We respectfully request the opportunity to appear at future hearings in support of Third Level Air Carrier Service.

Sincerely yours,

ROBERT E. PILE,
President.

FARGO CHAMBER OF COMMERCE,
April 17, 1972.

HAROLD G. VAVRA,
Director Aeronautics Commission,
Bismarck, N. Dak.

Harold, the Aviation Committee of the Fargo Chamber of Commerce, having made a thorough study of the Experimental Commuter Airline Service, supports this concept.

We feel this program would be particularly suited to our State, because of the problems we now face due to curtailment of rail service within the State. We also feel a system of this sort would strengthen the scheduled air carriers in our State.

If there is any specific assistance you need, please call on us.

Sincerely yours,

BRUCE C. FJELDE,
Chairman of the Aviation Committee.

HECTOR AIRPORTS,
Fargo, N. Dak., April 19, 1972.

Mr. HAROLD VAVRA,
Director, Aeronautics Commission
Bismarck, N. Dak.

DEAR MR. VAVRA: This will reaffirm the Municipal Airport Authority's complete support of your efforts to initiate commuter airline service between several communities in North Dakota.

With the deterioration of rail service within the state this proposed service becomes even more necessary to meet the needs of the smaller communities.

Please be assured that the Airport Authority stands ready to assist you in any way in your efforts to improve the transportation facilities for our North Dakota citizens.

Yours very truly,

JOSEPH T. PARMER,
Executive Director, Municipal Airport Authority.

GRAND FORKS CHAMBER OF COMMERCE,
Grand Forks, N. Dak., April 21, 1972.

Mr. HAROLD G. VAVRA,
Director, North Dakota Aeronautics Commission,
Bismarck, N. Dak.

DEAR MR. VAVRA: We have recently been apprised of the proposed experimental third level air service plan for North Dakota. It would seem this plan, if implemented, would result in substantially improved air service for the smaller communities of North Dakota.

There is an added attraction that the third level air service will enhance air traffic at our airport, and acting as feeders to the trunk line and local service carriers presently serving the Grand Forks airport, it may eliminate the need for a subsidy for our local service airline, i.e., North Central Airlines. What in effect should happen, would be a transfer of the subsidy from the local service airlines, to the third level commuter type.

We have long sought to improve the air service between Grand Forks and the North Dakota capital at Bismarck. Due to the layout of our airlines in North Dakota, this has not to this time proven very feasible. The proposed third level service proposed in your plan, would solve this problem.

For the above reasons, the Grand Forks Chamber of Commerce Board of Directors, at a meeting this date, voted to support the proposal for third level commuter air service for North Dakota. We will appreciate anything you can do to advance this project. If we can be of any service to you in this endeavor, we will appreciate your calling on us.

Very truly yours,

DAVE VAALER,
President, Grand Forks Chamber of Commerce.

WAHPETON CHAMBER OF COMMERCE,
Wahpeton, N. Dak., April 14, 1972.

HAROLD G. VAVRA,
Director, Aeronautics Commission,
Bismarck, N. Dak.

DEAR MR. VAVRA: The Wahpeton Chamber of Commerce wishes to go on record supporting the proposed North Dakota Commuter Air Service.

We believe that this is a needed service in our transportation system. Many times our Chamber members have the need to do business in other parts of the state, and or make connections with commercial airlines. The Commuter Service is necessary for them to transact their business in the minimum amount of time.

We want you to do all you can to bring this commuter service to North Dakota, and when it becomes a reality, we will do all we can to make it successful.

Sincerely,

CLYDE R. BIGELOW,
President.

FIRST NATIONAL BANK OF WAHPETON,
Wahpeton, N. Dak., April 18, 1972.

Mr. HAROLD VAVRA,
Director, North Dakota State Aeronautics Division,
Bismarck, N. Dak.

DEAR MR. VAVRA: Our bank and the city of Wahpeton is most interested in having commuter airline service as has been proposed for the North Dakota Commuter Air Service.

We feel that commuter air service would be used by many people in our area as Wahpeton has been experiencing one of the faster growth rates of cities in North Dakota. The last U.S. Census showed that Wahpeton grew approximately 23% from the previous census. At the present time we experience difficulty arranging commercial flights throughout the United States since we have no air service to Wahpeton. We, as well as the rest of the community, would be able to inter-connect with regular scheduled air line flights through North Dakota if commuter air service had a terminal at Wahpeton. The proposed North Dakota Commuter Air Service would be used by many of our business and professional people on business throughout the state, especially to our state capitol in Bismarck.

Wahpeton has become known as an industrial center in the Southeastern part of North Dakota, and as such, we feel that a commuter air service would be an invaluable asset to us.

Very truly yours,

N. K. CHRISTENSEN, President.

Senator CANNON. You say this was designed after the city of Dickinson had its air service deleted from the route certificates of local service airlines. What type of passenger generation was Dickinson coming up with?

Mr. VAVRA. Mr. Chairman, Dickinson was deleted on Frontier's system, and the passenger generation was in the order of a hundred a month. However, the service was designed to provide connections to the Southwest because Frontier is based in Denver, and Dickinson's community of interest was and is basically to the East. Thus, the airline did not afford connections to points east at Bismarck; for example, to Minneapolis, to Chicago, and these eastern cities.

Senator CANNON. Did the third-level carriers then step in and try to make a go of it in a different direction?

Mr. VAVRA. A third-level carrier stepped in, Apache Airlines, Inc., here about a year ago, and during the period that they served Dickinson, Northwest was on strike, and there again, of course, we eliminated the capability of making connections on the long-haul service at Bismarck to places like Minneapolis, Chicago, and New York.

At the time, the third-level carrier asked a subsidy from Frontier to continue the service, and Frontier was receptive to this idea, but their contract with their pilots and other personnel precluded the experiment.

Senator CANNON. Has Apache then terminated service at Dickinson?

Mr. VAVRA. They not only terminated service at Dickinson, they terminated service between Minot and Williston, and between Williston and points west into Montana, including the Montana cities of Sydney, Glendive, Miles City, Wolf Point, Glasgow, Harve, Lewiston, Great Falls, and Billings.

Senator CANNON. How long did they operate on that system?

Mr. VAVRA. They operated approximately 6 months on the entire system.

Senator CANNON. Could you furnish to the committee the passenger generation statistics on their operation during that period of time?

Mr. VAVRA. I have, as a matter of fact, records in my office. I don't have them with me, sir.

Senator CANNON. If you could supply them to us, it would be helpful.

Mr. VAVRA. Yes, I would be glad to do so.

(The following information was subsequently received for the record:)

Apache Airlines, Inc., operated in North Dakota and Montana between April 26, 1970 and terminated all flight operations on October 26, 1970, a period of six months. Apache Airlines served the cities of Minot and Williston, North Dakota and the Montana cities of Billings, Lewistown, Helena, Great Falls, Havre, Glasgow, Wolf Point, Sidney, Glendive and Miles City for the entire six-month period, with one round trip per day, seven days per week.

In addition, Apache Airlines, Inc. provided air service between Bismarck and Dickinson, North Dakota and Glendive, Miles City and Billings beginning on August 3, 1970 until October 26, 1970, when all air service was terminated. Dickinson received air service for only 2½ months. Northwest Airlines, Inc. was on strike between July 1, 1970 and December 4, 1970, which eliminated connecting flights at Bismarck to points east, such as Minneapolis, Chicago, Washington, D.C., etc.

Records of passenger generation of Apache Airlines, Inc. for the Montana-North Dakota system are available only for the months of June, July, and August, 1970 as follows:

APACHE AIRLINES, INC. PASSENGER ENPLANEMENTS FOR MONTHS OF JUNE, JULY, AND AUGUST 1970 IN NORTH DAKOTA AND MONTANA¹

City	Month	Total pas- senger board- ings	Average per day	Month	Total pas- senger board- ings	Average per day	Month	Total pas- senger board- ings	Average per day
Billings	June	284	9.5	July	339	11.0	August	390	13.0
Minot, N. Dak	do	267	9.0	do	250	8.0	do	324	10.5
Williston	do	249	8.0	do	260	8.5	do	197	7.0
Great Falls	do	153	5.0	do	161	5.2	do	170	5.5
Helena	do	94	3.3	do	108	3.5	do	109	3.5
Lewiston	do	15	.5	do	26	.9	do	18	.6
Havre	do	18	.6	do	41	1.3	do	29	.94
Glasgow	do	41	1.4	do	67	2.2	do	91	3.0
Wolf Point	do	52	1.7	do	53	1.7	do	63	2.0
Sidney	do	75	2.5	do	67	2.2	do	67	2.2
Glendive	do	69	2.3	do	66	2.1	do	91	3.1
Miles City	do	72	2.4	do	79	2.6	do	82	2.7
Bismarck		(2)	(2)		(2)	(2)		96	4.6
Dickinson		(2)	(2)		(2)	(2)		40	2.0
Total		1,389			1,517			1,767	

Footnotes at end of table.

APACHE AIRLINES, INC., PASSENGER ENPLANEMENTS AT DICKINSON AND BISMARCK, N. DAK.¹

Bismarck-----	August (21 days).	96	4.6	September (21 days).	110	5.2	October (19 days).	115	6
Dickinson-----	do....	40	2.0	do.....	60	3.0	do....	74	4

¹ All Air Service 1 round trip per day on a 7-day-per-week basis, except the air service at Bismarck and Dickinson was on a 5-day-per-week basis, Monday through Friday.

² Service started on Aug. 3, 1970—5 days per week.

³ Dickinson and Bismarck, N. Dak. received air service from Aug. 3 to Oct. 26, 1970 only. 5-day-per-week air service—Monday through Friday with 1 round trip per day only.

NOTES

1. Air Service was terminated on Oct. 26, 1970, by Apache Airlines, Inc., in both North Dakota and Montana.

2. 12 Montana and North Dakota cities were served by Apache Airlines, Inc., for about 6 months.

3. Bismarck and Dickinson, N. Dak., were served by Apache Airlines, Inc., for 2½ months.

APACHE AIRLINES, INC. SUBSIDY NEED—FLIGHT OPERATIONS IN NORTH DAKOTA AND MONTANA

	Commercial Expenses	Commercial revenue	Operating loss	Return on investment	Subsidy need	Subsidy need per enplaned passenger	Number of passengers enplaned
June 1970-----	\$55,914	\$42,290	(\$13,624)	\$1,900	\$15,524	\$11.10	1,389
July 1970-----	56,712	44,907	(11,805)	1,900	13,705	9.03	1,517
August 1970-----	61,941	48,254	(13,687)	1,900	15,487	8.76	1,767

Senator CANNON. How would you propose to base your subsidy? How would you furnish the funds to whatever carrier you selected?

Mr. VAVRA. In that regard, Mr. Chairman, first we would certificate them on a State level.

Senator CANNON. Don't you have authority to do that now?

Mr. VAVRA. Yes, we have that authority. But we have to have hearings in order to determine which carrier is fit, willing and able. We would also have hearings in the case of a new city that requests air service to make a showing of proof that it was necessary and it had the demand factor to justify the service. Then, the subsidy would be based on the statistical and financial records of the estimated cost of the service and the traffic generated in a similar fashion that would be done by an administrative agency similar to the CAB.

Senator CANNON. Does that mean that you would simply make up the loss of a company through subsidy if you had once determined that the city ought to have service even though they were not generating enough to make it economical?

It looks to me like we might be opening a door wide enough to run a barn through.

Mr. VAVRA. One of the answers to that question, Senator, if officially the CAB would have control of the funds under this bill.

Senator CANNON. I thought you are suggesting here that the money be turned over to the State for the State to operate this subsidy.

Mr. VAVRA. Through the bill, the bill includes the CAB, and I would think they would have the power to veto any action of the State, checks and balances.

Senator CANNON. If that is the case then, why would you want to bring the State into it at all?

Mr. VAVRA. The reason for that, Mr. Chairman, is that the record is replete, going back to your hearings 2 years ago and also the hearings starting yesterday, that the board has indicated on record that to handle the certification process of the commuter airline in a number of

States would practically be an unmanageable proposition at the Washington level because of the huge scope of it, and the work involved.

Senator CANNON. I don't think we had any testimony to that effect.

Mr. VAVRA. I reviewed the record of 2 years ago last night, that is, the record that was made on the adequacies of service to small communities in 1970, and there are statements in there which requested answers to questions by counsel apparently of the committee on that subject. In those answers the staff of the board indicated, as I recall, that this process would be so long and complicated that a third level carrier may be forced out of business in the period of time it would take to get conclusion of a decision.

Senator CANNON. That was relating to full certificate proceedings.

Mr. VAVRA. That is correct.

Senator CANNON. I asked that question myself. How would a State go about determining which commuter was to be certificated if it is going to be on a subsidy basis? In other words, no commuter is going to be able to come in and show that they could operate at a profit and thus give you some basis to make a decision. You are going to decide which commuter is eligible for a Federal subsidy to operate the route.

How would you go about that?

Mr. VAVRA. Mr. Chairman, we have experience in that field. We have held comprehensive hearings on a similar proposal involving Apache Airlines and Inland Commuter, which were competitors in the State of North Dakota routes, and we covered the complete record with court reporters and produced a record going into the proposal by both carriers, their relative efficiency, and the relative difference between the two, as to what their cost projections were and their financial statements associated with them. So, I don't see any problem with the experience in previous proceedings on the State level in this area.

Senator CANNON. In the course of your hearings, as a result of which you certificated Apache, did you find that they would be able to operate these routes economically?

Mr. VAVRA. We found they were able to operate them economically. We also found that they would probably require a certain amount of subsidy. We had hopes that Frontier would be able to provide that contract subsidy similar to the Allegheny program, but unfortunately after the system was inaugurated, because of certain technicalities with the airline pilots group, it was impossible for Frontier to enter into an agreement to provide the necessary funds.

That is what caused the breakdown of the system.

Senator BURDICK. Mr. Chairman, I have another committee meeting this morning. I wonder if I might ask a question before I leave.

Senator CANNON. Surely.

Senator BURDICK. Mr. Vavra, the thrust of your suggestion is that the State agents do a lot of detail work, a lot of the ground work that would ordinarily be done by the CAB?

Mr. VAVRA. That is correct.

Senator BURDICK. And the CAB would still retain jurisdiction over your decisions.

Mr. VAVRA. That is correct.

Senator BURDICK. Can you estimate how many applications there might be from cities not having service that might apply for some assistance under the present pending bill?

Mr. VAVRA. Right at the moment there are two which were mentioned in my testimony, Dickinson and Wahpeton.

Senator BURDICK. Throughout the country, do you have an estimate?

Mr. VAVRA. I couldn't perhaps say throughout the country, because, as I understand this bill, it is an experiment, and it is going to be confined to a real small, select area. We don't know under an experiment whether either the contract system or the system that I advocate or the aeronautics commission advocates is going to function.

To answer your question, I think that we have got to get back to the fact that this is an experiment. The whole bill states it is an experiment. My understanding of an experiment is that it is an operation carried out under controlled conditions in order to discover an unknown effect.

Senator BURDICK. In other words, you would like to have the North Dakota plan incorporated into the experiment?

Mr. VAVRA. That is right, in order to find out what happens.

Senator CANNON. In developing your subsidy needs for your estimates here, what was your cost per passenger, your subsidy cost per passenger?

Mr. VAVRA. In the case of the hearings that we had on Apache, which was a year or two away, we came up with a figure in the area of \$15,000 a month for the entire system, which is quite a comprehensive system. It included service to how many cities, Mr. Daniels?

Mr. DANIELS. Nine.

Mr. VAVRA. Approximately nine cities. If you figure that \$15,000 a month on nine cities, you are talking about \$180,000 a year. As I understand it, the CAB's proposal in this experiment here is addressing itself to roughly \$60,000 a city annually. So on a comparative basis you would be talking about \$500,000 plus. So, apparently we were pretty well in the ball park.

Senator CANNON. My question was how much per passenger. I was interested in knowing how much of a generation figure you were using. Do you have the details that you put into the computer that you could furnish to us so we could determine how much per passenger you were paying in the way of subsidy?

In other words, if you are serving a city that is only going to generate two passengers a day, obviously, that cost is going to be very very high. I note in your suggestion that you suggest that they—I don't see it here right at the moment, but you were suggesting that they have full time staffing service at the airport. For two flights a day it would have full time staffing operationalwise and is going to be pretty expensive.

Yes, on page 4 of your statement "the community airline plan includes complete airline service at each ground station, including a desk model computer for reservations."

It would seem to me if you are going to have a computer where you are talking about a possible three or four passengers a day, you are running into a tremendous amount of cost. It would be "tied into the major airlines computerized reservations system. Each ground station would have the capability of selling regular airline tickets

to the final destination and return, including all connecting flights" and "the proposal requires the commuter airline to maintain full time ground personnel at each airport served for customer service."

If you are providing this sort of thing to a community that is having a very low level of passenger generation, the cost per passenger is going to be tremendous.

Mr. VAVRA. Mr. Chairman, we programed this as a system to fit within the present air system so that it provides equal service that you would have at any large airport. We feel so far, as an experiment, this should be tried as a part of this overall package. In other words, we are not advocating that this be done at numerous areas immediately. We are advocating that this complete experiment include this particular phase to determine whether it will function. We don't know the answer at this stage. The principle of an experiment is discovery.

Senator CANNON. Would you furnish to the committee the cost factors that you fed into the computer and also the per passenger cost of subsidy so we can have a little better view of just what you have in mind?

Mr. VAVRA. Yes, Mr. Chairman, we will be glad to do so.

(The following information was subsequently received for the record:)

The factors fed into the computer relating to the North Dakota proposed commuter airline system serving nine cities follow:

- (1) Number of aircraft required are four Beech Type 99 turbo-prop planes with 15 passenger seats. Aircraft are to be leased at existing market prices for such leases at \$5,000 per aircraft per month dry.
- (2) Total daily system statute miles to be flown seven days per week with two round trips per day with stops at nine cities. Total daily flight miles—5,420.
- (3) Route system daily average passenger enplanements:

City	Aircraft daily departures	Passenger enplanements per day
Bismarck	12	30
Dickinson	2	5
Devils Lake	8	10
Fargo	4	20
Grand Forks	2	15
Jamestown	4	10
Minot	8	20
Wahpeton	2	5
Williston	4	10
Total		125

- (4) Passenger fares, gross income per passenger mile, \$.11 (does not include 8% federal transportation tax).
- (5) Net passenger revenue per passenger mile, \$.11 less 5% for dilution.
- (6) Direct cost per aircraft statute mile of flight operation..... \$0. 559
- (7) Total indirect cost for aircraft statute mile of operation..... .335
- (8) Total of direct and indirect costs per aircraft statute mile..... .894

COMPUTER READ-OUT ANSWERS FOR FIRST YEAR OPERATIONS OF NORTH DAKOTA COMMUTER AIRLINE SYSTEM

- (1) Annual utilization of all aircraft, 9,834 flight hours.
- (2) Daily fleet utilization of four aircraft, 27 hours and 4 minutes.

(3)	Daily utilization per aircraft including spare aircraft, 6 hours and 46 minutes.	
(4)	Average system block to block speed between cities, 199.5 miles per hour.	
(5)	System average load factor for first year operations, 30%.	
(6)	Average flight time between cities, 32 minutes.	
(7)	Average system stage length of flight, 112 miles.	
(8)	Total annual aircraft statute miles to be flown, 1,973,171.	
(9)	Daily system operation costs, \$4,845.	
(10)	Annual commercial passenger revenues, net-----	\$920, 214
(11)	Annual freight revenues, net-----	124, 310
(12)	1st year annual revenue, net-----	1, 044, 524
(13)	Direct annual aircraft operation cost for 1st year-----	1, 103, 002
(14)	Total indirect operational costs for 1st year-----	671, 012
(15)	Total annual operational costs-----	1, 774, 014
(16)	1st year annual revenues, net-----	1, 044, 525
(17)	1st year net operating loss-----	(729, 489)
(18)	Return on investment at 12 percent of \$100,000 (spare parts for aircraft, station equipment)-----	12, 000
	Subsidy need for first year-----	741, 489
(19)	Operational subsidy need for 1st year operations-----	741, 489
(20)	1st year start up costs and training personnel-----	258, 511
	Total 1st year need-----	1, 000, 000
(21)	Operational subsidy need per city served 1st year-----	82, 387
(22)	Total monthly passengers enplaned, 3,802.	
(23)	Annual passengers enplaned, 45,625.	
(24)	Subsidy cost per enplaned passenger for 1st year of operations, \$16.25.	

COMPUTER INPUT CHANGES FOR SECOND YEAR OPERATIONS OF NORTH DAKOTA
COMMUTER AIRLINE SYSTEM

- (1) Increase passenger fares from \$.11 to \$.148 per passenger mile, less 5 percent dilution for a net revenue of \$.014 per passenger mile. (Does not include 8 percent Federal transportation tax.)
- (2) All other computer inputs the same as for the 1st year of operations.

COMPUTER READ-OUT FOR SECOND YEAR OPERATIONS OF NORTH DAKOTA COMMUTER
AIRLINE SYSTEM

(1)	Total annual aircraft statute miles to be flown, 1,973,171.	
(2)	Passenger load factor an average of 30 percent per year.	
(3)	Total annual revenue passenger miles, 8,879,270 (RPM).	
(4)	Total annual passenger revenue, net 8,879,270 times \$.14-----	\$1, 243, 097
(5)	Total annual freight revenue, net-----	124, 310
(6)	2d year total annual revenue, net-----	1, 367, 407
(7)	Total annual operating costs-----	1, 774, 014
(8)	2d year annual revenue, net-----	1, 367, 407
(9)	2d year net operating loss-----	(406, 607)
(10)	Return on investment at 12 percent of \$100,000 for station equipment, spare parts, etc-----	12, 000
	Subsidy need second year operations-----	418, 607
(11)	Operational subsidy need per city served during 2d year— nine cities served-----	46, 512
(12)	Total monthly passengers enplaned, 3,802.	
(13)	Annual passengers enplaned, 45,625.	
(14)	Subsidy cost per enplaned passenger during 2d year of operations, \$9.17.	

COMPUTER INPUT CHANGES FOR THIRD YEAR OPERATIONS OF NORTH DAKOTA COMMUTER AIRLINE SYSTEM

- (1) Increase passenger fares from \$.11 to \$.148 per passenger, less 5 percent dilution for a net revenue of \$.14 per passenger mile. (Does not include 8 percent Federal tax.)
- (2) Increase average system passenger load factor from 30 to 35 percent.

COMPUTER READ-OUT FOR THIRD YEAR OPERATIONS OF NORTH DAKOTA COMMUTER AIRLINE SYSTEM

(1)	Total annual aircraft statute miles to be flown, 1,973,171.	
(2)	Passenger load factor an average of 35 percent per year.	
(3)	Average passenger load per flight, 5.25 passengers.	
(4)	Total annual revenue passenger miles, 10,359,148 (RPM).	
(5)	Total annual passenger revenue, net 10,359,148 times \$.14	\$1, 450, 280
(6)	Total annual freight revenue, net	124, 310
(7)	3rd Year total annual revenue, net	1, 574, 590
(8)	Total annual operating costs	1, 774, 014
(9)	3rd year annual revenue, net	1, 574, 590
(10)	3rd Year net operating loss	(199, 424)
(11)	Return on investment at 12 percent of \$100,000 for station equipment, spare parts for aircraft, etc	12, 000
	Subsidy need 3rd year operations	211, 424
(12)	Operational subsidy need per city served during 3rd year of service (nine cities served)	23, 492
(13)	Total monthly passengers enplaned, 4,436.	
(14)	Annual total passengers enplaned, 53,229.	
(15)	Subsidy cost per enplaned passenger during the 3rd year, \$3.97.	

SUMMARY OF SUBSIDY NEED FOR NORTH DAKOTA EXPERIMENTAL COMMUTER AIRLINE SYSTEM

	Subsidy need	Operational subsidy per enplaned passenger
1. 1st year operations:		
Subsidy need for operations	\$741, 489	\$16. 25
Start up and training costs	258, 511	
2. 2d year operations:		
Subsidy need for operations	418, 607	9. 17
3. 3d year operations:		
Subsidy need for operations	211, 424	3. 97
Subtotal	1, 630, 031	
Contingency amount	369, 969	
Total estimated subsidy need for 3 years	2, 000, 000	

COMPUTER INPUT CHANGES FOR FOURTH YEAR OPERATIONS OF NORTH DAKOTA COMMUTER AIRLINE SYSTEM

- (1) Increase passenger fares from \$.11 to \$.148 per passenger mile, less 5 percent dilution for a net revenue of \$.14 per passenger statute mile.
- (2) Increase average annual passenger load factor from 35 to 45 percent.
- (3) All other computer inputs the same as for the 1st year.

COMPUTER READ-OUT FOR FOURTH YEAR OPERATIONS OF NORTH DAKOTA COMPUTER AIRLINE SYSTEM

- (1) Total annual aircraft statute miles to be flown, 1,973,171.
- (2) Passenger load factor an average of 45 percent for the year.
- (3) Average passenger load per flight—6.75 passengers.
- (4) Total annual revenue passenger miles—13,318,904 (RPM).

(5)	Total annual passenger revenue, net 13,319,904 times \$.14-----	\$1, 864, 647
(6)	Total annual freight revenue, net-----	124, 310
(7)	4th year total annual revenue, net-----	1, 988, 957
(8)	Total annual operating costs-----	1, 774, 014
(9)	Return on investment of 12 percent of \$100,000 for spare parts and station equipment-----	12, 000
(10)	Total annual cost-----	1, 768, 014
(11)	Gross profit before taxes during 4th year-----	220, 943
(12)	Total monthly passengers enplaned, 5,703.	
(13)	Total annual passengers enplaned, 68,436.	
(14)	Gross profit before taxes on a per passenger basis, \$3.23.	
(15)	Gross profit before taxes per city served (nine cities), \$24,549.00.	

Mr. VAVRA. I might mention this system I am addressing myself to and the Apache system included most of eastern Montana, which, of course, the State system that we proposed in our testimony does not. This includes the State of North Dakota.

Senator CANNON. Those communities that were served by Apache in Montana, do they have any service at all now, or when Apache pulled out, did that leave them without service as it left you?

Mr. VAVRA. They have service now with DeHaviland aircraft between others which are now being provided by Frontier Airlines in replacement for Apache with the exception that Dickinson was not replaced, their service was not replaced. Dickinson had not been recertificated by the Board and it had lost its service on a permanent basis, so it could not get service reinstated by Frontier to Dickinson.

Senator CANNON. Did Dickinson lose its service under the "use it or lose it" theory?

Mr. VAVRA. They lost it under the old "use it or lose it" theory because of the operational conditions. The airline directed its flights toward Denver when the community's interest was principally to the east, thus connections were not made and the service failed. I think the Dickinson witness can expound on that later.

Dr. GAB. Mr. Chairman, I can also expound at that time when we lost our service to Frontier, the connections were such that any major connection going to the east required a 4-hour layover at that time. So, instead of using the service out of Dickinson and having a 4-hour layover, people from the city would prefer driving 2½ hours to Bismarck and catching a direct flight at that time.

This is perhaps one of the major causes and also, as Mr. Vavra mentioned, the fact at that time the interest was not centered in the Denver area, and it was primarily to the metropolitan area of Minneapolis/St. Paul, Chicago, Washington, and New York. Therefore, with Frontier Airlines flying maybe to the western area, the people of Dickinson did not make use of this type of service.

Senator CANNON. Does this proposal that you have presented here make connections—make good connections to the other areas of the country?

Dr. GAB. Are you addressing me, Mr. Chairman?

Senator CANNON. Either one of you.

Dr. GAB. I can back up Mr. Vavra's statement, in that if we were to have the North Dakota Aeronautics Commission proposal, we, would

have direct connections with Northwest and Frontier going both east and west.

Senator CANNON. Anything else, gentlemen?

Mr. DANIELS. If I may, Mr. Chairman, I think we might be losing—my name is Jack Daniels, sir—we might be losing the impetus here in that we are playing with an experiment in which we are going to test once and for all whether or not any community in this Continental United States that cannot generate traffic take sufficient level to sustain itself economically with small airplanes, with the commuter concept, given the full service concept, not some rinky-dinky by telephone reservation, but a point of sales, a point of contact sales program, if we can't generate enough traffic to support economically down line, this service is an integrated part of the Nation's transportation picture, then indeed we have tested it to a fine point and the service no longer is available or shouldn't be available. But in my view, up to this point in time, that test has never really been presented, and I don't think we are in a position at this moment to identify a cost per boarded passenger.

But in review of the thing, the program that we propose costed out would eventually put itself in a nonsupport requiring or subsidy requiring position at the end of the 3-year period.

If it didn't, then it is stopped, and those towns that couldn't support it wouldn't have it.

Senator CANNON. You say you don't have a cost per boarded passenger. You certainly have an estimate of the number of passengers you think you could generate during this period, don't you?

Mr. DANIELS. Yes, sir. What I meant by that, I don't have it at my fingertips right now. We will provide you with that information.

Senator CANNON. Because you certainly have to have some basis for estimating the number of passengers you can generate and you have got to have some basis to estimate what it is going to cost you.

Therefore, if you divide one into the other, it will give you your cost per boarded passenger.

Mr. DANIELS. Yes, sir.

Senator CANNON. What is the size of the communities? I don't think your testimony gave us a population size. Would you supply that for us?

Mr. VAVRA. Yes, Mr. Chairman. The city of Dickinson, 1970 census—I can be challenged by the chamber of commerce, but I will give you the facts as they are—12,405 population.

Bismarck, which includes the contiguous city of Mandan, 46,000. The city of Devils Lake, 7,100. It is presently served by North Central Airlines but having a struggle. Fargo, which includes the contiguous cities of Moorhead, Minn., West Fargo and Dillworth, Minn., 91,500.

Grand Forks, N. Dak. and East Grand Forks, which are contiguous, 48,000. Now, I must add on there is an airbase within 10 miles, so that that figure would be increased by approximately 12,000 or 60,000 at Grand Forks if you include that group.

Senator CANNON. How about Minot and Williston?

Mr. VAVRA. Minot, 33,000 city population, plus 18,000 airbase, which is about 10 miles from Minot or a total of 51,000. Jarrstown, 15,400.

Wahpeton, 11,300, including the contiguous town of Breckinridge.
Williston, 11,300.

Senator CANNON. Did you envision in this subsidy that any part of that subsidy fund would be used to help the commuter airline acquire its aircraft.

Mr. VAVRA. No, we did not. We computed that the aircraft would be leased so that there would not be a capital investment. I will check with Mr. Daniels on that. Is that correct?

Mr. DANIELS. We are facing a 3-year pilot program and we don't need an investment.

Senator CANNON. If you are going to use an existing commuter airline, you have got to assume they have something. Wouldn't your commission actually have to base this on somebody that had some sort of capability, that had shown some expertise in the area?

Mr. DANIELS. That is true. The program was developed to present itself to the CAB, and we had to start someplace. This program has been submitted to the Board, and they have studied it, costed it out themselves. We are still dealing with too many unknowns, and to preclude this thing doing what everyone fears it will do, starting another level of subsidized carrier, let's address ourselves to a 3-year experiment, and if a carrier can come in at a reduced rate that owns its own equipment, fine, but rather than amortize and depreciate equipment, what would it cost to rent this stuff with a 3-year study program.

Mr. GINTHER. You noted the defect in the CAB proposal in that it does not propose to provide new service to small towns which don't have it already. If Congress in working on the CAB proposal were to broaden it so as to make it include cities which do not receive any certificated air service within the 3-year experiment, would that meet the objections of your commission to the Board's proposition?

Mr. VAVRA. It would meet one of our objections or recommendations, that there ought to be in the experimental phase some cities included that do not now have air service. However, we still believe that in addition to that factor that the committee and the board should provide an amendment or a change or a modification in the bill which would permit the CAB to select an area like North Dakota, for example, because we have come up with this proposed system plan and experiment at least in one area with a statewide air transportation system plan as proposed in my testimony so you would have two concepts to compare after the 3-year period. We are not saying this should be done concurrently everywhere in the country.

I think it has to be experimented with first, similar to what you have proposed under the contract system. That is basically an experiment and a limited amount of money.

Senator CANNON. Were you here yesterday when Mr. Pickett testified, he came up with an alternative proposal as well? Did you hear his testimony yesterday?

Mr. VAVRA. Mr. Chairman, I wasn't here yesterday. Mr. Daniels, do you recall that or have you had a chance to read it?

Mr. DANIELS. We didn't get to review it in total. Any comment that I would have to make on it I would want to stand corrected. I am basically familiar with it, however.

Senator CANNON. Anything else, gentlemen?

Thank you very much. We appreciate your appearance here.

Mr. LINK. Mr. Chairman, if it please the committee, I think Dr. Gab would like to make a statement on behalf of the community of Dickinson.

Senator CANNON. Yes, sir.

Dr. GAB. Mr. Chairman, members of the subcommittee.

Today what I would like to do is present some highlights on behalf of the city of Dickinson, N. Dak., and the 14-county agricultural and industrial area that Dickinson serves.

We are aware of the problem of transportation service to rural areas and we are also aware of the fact that the Federal Government, Congress and the State have been recognizing this problem.

We feel that this committee is interested in the situation which now exists in a community such as Dickinson and other rural areas. Therefore, my testimony this morning is just to demonstrate some of the following points: One, Dickinson, N. Dak., as many other rural areas, is a growing, vigorous community, desperately in need of some type of air service. We strongly support the proposal presented by Mr. Vavra to provide air service to Dickinson and various other North Dakota communities.

However, we would also like to have in the record that we would support the CAB proposal if it is not limited to cities now being served but would include communities which can demonstrate a need for service, such as Dickinson and any other community.

We strongly support a combination of the two aforementioned proposals or the establishment of both if communities which are now without air service will be included.

The City of Dickinson is the hub of a 14-county area. At the present time 90 percent of our income comes from agriculture. For detailed statistics you can refer to exhibit A. What many people do not realize is that Dickinson is the livestock marketing center of an area that handles over \$30 million worth of livestock a year. This does not include the \$83 million total in our 14-county area.

I believe there are hearings going on right now in Washington, D.C., with concern about the livestock industry and the price of cattle. Cattle are a major concern in our area. We move many cattle from this region to Iowa, Colorado, Nebraska, Minnesota, Michigan, Wisconsin, Kansas, and Oklahoma. The people who handle the movement of these cattle are greatly in need of commercial service. Many weeks we have as high as 25 out-of-state cattle buyers who would have a need for commercial air service.

The livestock economy of this area has a potential of increasing from 35 to 50 percent within the next 10 years. Better air service to Dickinson would help to speed this expansion by making this 14-county area more accessible to a very mobile industry.

I think one of the major points to consider is the interest that has developed in the lignite coal deposits in southwestern North Dakota. We, the city of Dickinson, are located in the center of these deposits.

Bresler & Associates, a large research firm, has said, "The largest deposits of lignite in the contiguous United States occur throughout the western half of North Dakota. Reserves in North Dakota are estimated at 350 billion tons." This, gentlemen, represents 20 to 24 percent of the total coal reserves in the entire United States.

I would like to quote Mr. George Staber, Office of Coal Research in Washington, D.C., who discussed the work being done in relation to the lignite deposits.

He recognizes that there is a shortage of natural gas and this problem is about to increase. A commercial gasification plant could synthesize gas from coal and water. The water is needed for hydrogen to combine with coal carbon to make methane gas. It is estimated that a commercial plant must be capable of producing 25 million cubic feet of pipeline gas per day in order for the operation to be feasible. This would mean 10 million tons of lignite coal and would require about 6,000 acre-feet of water. And you must have a 20- to 30-year coal reserve in order to construct such a plant, which would cost \$200 million.

Dr. Staber mentioned that the American Gas Association contracted with the Institute of Gas Technology to locate gasification sites. Based on the location possessing an adequate supply of water and plentiful coal reserves, 176 suitable sites have been established, and all but 20 of these are west of the Mississippi River.

In March of this year the University of North Dakota located at Grand Forks, received a Federal grant of \$3,356,600 for studying the use of lignite coal and the construction of a pilot plant costing \$30 million to be located somewhere in the area of Dickinson.

Also at the present time there is a study going on by the North Dakota Water Commission and the Bureau of Reclamation for piping water from the Garrison Dam directly through Dickinson and on further through southwestern North Dakota and into the Black Hills area. This is known as the West River Diversion Project.

With this type of water we would have the facilities to develop gasification plants in southwestern North Dakota.

I would like to refer you to exhibit B where there are companies listed that are interested and have shown an interest in the area of southwestern North Dakota—some companies such as Hunt Oil Co., Ralston Purina, and many others.

We also are an oil-producing county and have at the present time 200 oil-producing wells in the area and new wells are added each month.

There are other factors in the report, gentlemen, which I will not mention, but which also are a factor in the need for air service at Dickinson.

There is no major population or commercial center in North Dakota. The closest and most used by our citizens is the Minneapolis-St. Paul metropolitan area, Chicago, and now Denver is starting to become a hub for us. These are the commercial and industrial centers which our businessmen must visit, the medical, sports and social centers our population does use.

The distance involved makes time and cost a major factor. If we have to use car transportation or automobile transportation to travel to Minneapolis or Denver, it will take a full day.

I think, gentlemen, we all agree that when most of us get into cars and start to drive, usually we continue on driving instead of stopping at an airport to use air service.

We have repeatedly tried to persuade the trunk and regional carriers to add Dickinson to their schedules. We have presented our case

to various men at the CAB, including one of the former commissioners, and always the answer has been the same, "It is not economically feasible for the larger planes to stop."

Therefore, we have concluded that commuter air service or third-level air service to deliver our people to major carrier airports would be the only possible alternative.

For this reason, we strongly support the North Dakota proposal to provide air service to Dickinson and other North Dakota communities. This plan would provide us with two flights per day, making connections with Northwest, North Central and Frontier. With just one change of planes, we could travel to Minneapolis, Chicago, New York, Washington, Denver or any west coast city. We feel this would be a tremendous advantage to our area.

We also support the Civil Aeronautics Board proposal for obtaining and selecting air carriers to provide air service to the small communities if it is not limited, and I underscore this, to communities now being served. We believe that no valid test of any system could be obtained unless both those cities presently with service and those without service are included.

Furthermore, we believe that those cities now without service would be far more enthusiastic and responsive to the new plan than the ones that are presently served and are having problems.

I would like to refer or note in the record a statement made by Hon. Secor Browne, Chairman of the Civil Aeronautics Board. He said,

The fourth and very significant change has been the shift of population in rural America, in the plains and mountain States. These areas need good air transportation. In many cases, it is virtually a matter of economic and social survival. What significant industry would locate in an area without good air service? How can we prevent the continuing exodus to the overcrowded cities unless there is a sound economic base supported by air transportation to encourage people not to move to the cities? As a matter of national policy, we think these considerations should weigh heavily:

We agree, wholeheartedly with Secor Browne's statement, in that how can we have industry, such as a gasification plant, oil industry, or any other move into our area and keep our people there if we do not have air service.

I wish to thank you for the opportunity to testify here today, Mr. Chairman. We are very grateful, being a very small community in an isolated area, to have the honor to appear before a senate subcommittee and be heard.

I have tried to demonstrate to you that Dickinson is a growing, vigorous community and needs some type of air service. We will support any type of legislation that would include the city of Dickinson in some type of an experimental program to provide air service to major hub cities or metropolitan areas in the United States.

We would like to suggest that Senate bill 3460 be amended in such a way as to clarify and emphasize the fact that small communities presently without any commercial air service be included in Civil Aeronautics Board contracts if a need can be demonstrated.

We believe this could be accomplished by the addition of the following phrase at the end of section 2 (5): "By which can demonstrate a need for commercial air service." Thus, the paragraph would be as follows: (5) "Small communities" means a village, town, city or other locality in the United States not receiving unsubsidized air service on

a daily, scheduled basis by a certificated air carrier, but which can demonstrate a need for commercial air service.

I thank you for your attention.

Senator CANNON. Thank you, Doctor, and Congressman Link, thank you. Thank you for coming this morning.

The next witness is Mr. Raymond Rasenberger, chairman, Third Level Policy Committee, Association of Local Transport Airlines.

**STATEMENT OF RAYMOND J. RASENBERGER, ESQ., CHAIRMAN,
THIRD LEVEL POLICY COMMITTEE, ASSOCIATION OF LOCAL
TRANSPORT AIRLINES**

Mr. RASENBERGER. Good morning, Mr. Chairman.

With your permission, I would like to read a statement that we have prepared.

Senator CANNON. All right, sir.

Mr. RASENBERGER. Mr. Chairman: On behalf of the Association of Local Transport Airlines, I would like to express our appreciation for the opportunity to appear here today. I have been asked to represent the association at these hearings because I am chairman of ALTA's Third Level Policy Committee, a group of carrier executives and attorneys which attempts to keep abreast of developments involving air service with small aircraft, and to make recommendations thereon to the membership of the association.

The views expressed here represent a consensus of the ALTA membership, although individual carriers may wish to submit supplemental or qualifying remarks on particular aspects.

I would like to comment first if I may on S. 796, which would authorize the issuance of certificates for limited air transportation to commuter airlines.

I will also cover briefly the proposal of the Civil Aeronautics Board for legislation to permit experimental subsidy contracts. However, the members of the association have not had an opportunity to review that legislation.

The principal intent of S. 796 seems to be to permit the CAB to issue certificates limiting the size of equipment a certificated carrier may operate, something the Board may not do under the act today.

However, the certificates issued would differ substantially from those issued under the present act in that they would not be issued pursuant to a finding of public convenience and necessity. Nor would the holder of a limited air service certificate be required to publish tariffs, as do other certificate holders.

In many other respects, the effect of the legislation is not entirely clear. It does not indicate for example to what extent carriers holding these certificates would be relieved from other requirements of the act, as commuter carriers are today. It is also not clear to what extent the bill contemplates continuation of the CAB's existing blanket exemption, part 298; or whether carriers holding limited certificates would be eligible for subsidy.

Even overlooking the ambiguous aspects of the bill, the ALTA members have reservations about the wisdom of adopting such legislation at this time. We agree that some changes are required in the cur-

rent scheme of regulating commuter airlines, but we are of the view that such changes can be better accomplished by the CAB within its existing powers. The Board now has many matters before it which present the opportunity to clarify and strengthen the role of commuter carriers. We think it should be given the opportunity to resolve the pending matters before serious consideration is given to legislation.

The position of the ALTA carriers on this matter I think can best be understood by a brief review of the economic and regulatory environment in which service to smaller communities is now provided.

The great bulk of the service in this country to small cities and towns is, as you know, now provided by local service airlines. This originated some 25 years ago when the CAB undertook what was then an experiment in service to smaller communities by certificating local service airlines.

That experiment has been successful in the sense that local service airlines carried over 26 million passengers in 1970, bringing air service to 461 airports including 289 points served exclusively by them. These services were provided with small jets, with propjets and, in some cases, with smaller aircraft such as the commuter airlines also operate.

Fifty-three percent of the airports served by local carriers in 1970 were communities of less than 100,000 population; 84 percent were under 500,000. In addition, there are over 30 small cities whose air service is in effect underwritten by local carriers pursuant to agreements wherein they provide supporting services and, in many instances, direct financial assistance to the commuter airlines.

I am reminding the committee of these facts not to suggest that all the air transportation needs of smaller communities in America are now being met by the certificated system. What is important, however, is that there has already been created, with the support and encouragement of the Congress, a large primary system of local air services—a system that the carriers themselves are fully committed to maintaining and improving.

The first objective of all of us—Congress, the CAB, and the carriers—must be to see that that system works as well as it can, and that no second system of certificated local services be created if it would detract from what has already been built. It seems to us that on both these points there are grounds for concern.

With respect to the existing certificated system, there is, for example, at least one area where improvements are possible. The deficiencies in service to small cities today can be traced in large part to a subsidy system which we do not think is working as the act intended, particularly insofar as it provides only for a minimum amount of service at small points.

It would be inappropriate to go into this matter in detail at this time since a new subsidy rate is now being considered by the Board. But, barring some substantial improvements in current subsidy levels, the local carriers will probably wish to make specific suggestions for reform of the subsidy system, including perhaps legislation, following their quarterly meeting in early May. These suggestions would be aimed at assuring better air service to small communities by certificated, as distinguished from commuter, airlines.

Our second area of concern relates to the commuter industry itself. In recent years, commuter airlines as you know have played an increasing role in air transportation. In part this can be traced to the development of modern, 15- to 19-passenger aircraft which fall within the definition of small aircraft in part 298 of the Board's regulations. In the course of their growth, commuter carriers have undertaken to serve many markets too small even to justify certificated subsidized services.

In part, commuter carriers, in cooperation with certificated carriers, have replaced or supplemented certificated services not adequately supported with subsidy. In part, however, the commuter carriers have entered markets directly in competition with certificated carriers, or with each other.

These developments have produced mixed results. In some instances, the public has obtained more or better air service than would otherwise have been possible. This is particularly true with respect to services operated pursuant to agreements with local carriers, such as the highly successful Allegheny commuter program.

In some instances, however, where commuter airlines have operated in direct competition with certificated services, or with each other, traffic has been diverted and subsidy need increased. In those cases, there is a long-run tendency we believe toward less air service as competitive pressures force the certificated carrier to retrench or the commuter carrier to suspend service entirely, and sometimes abruptly.

Even where commuter operations are not competitive, there is reason for concern about their long-run economic viability. Among the important economic advantages commuter carriers have over certificated carriers is that they bear virtually none of the costs of economic regulation, and benefit from the less costly requirements of part 135 of the Federal Aviation Regulations.

Despite these advantages, the vast majority of commuter operations today appear to be unprofitable, to the point in many cases of business failure. CAB records show, for example, that there were 153 commuter carriers filing reports as of September 30, 1969. A year later, only 98 of these same carriers were still reporting—an attrition rate of 36 percent in 1 year. Recently, with the filing of Executive Airlines under chapter 11, we have had further dramatic evidence that even the largest of the commuter operations are not immune from failure.

Indeed, and ironically, growth is in many ways the basis of commuter airline failures. Historically, the unique advantage of the air taxi has been its low overhead and its low investment. As commuter carriers grow, they also begin to lose these advantages. Fixed interest and carrying charges loom large, union wage scales become mandatory and indirect expenses assume a relationship to direct costs not unlike certificated carriers.

Senator CANNON. I am rather amused and go along with you on this now, because I think you could insert local service carriers instead of commuter carriers, and you would have exactly the same parallel. So, you could use the same paragraph for both.

Mr. RASENBERGER. No question, Mr. Chairman. We know perhaps better than anyone else about those trends, having been through them ourselves.

The growth of a commuter's costs in these areas may lag behind the growth in its overall size but, in the long run, commuter airlines are finding themselves confronted with the same economic realities with respect to short-haul, low-density services as other air carriers.

I mention these factors not because they are alone decisive as to any bills the committee is considering, but because they are relevant. In our opinion there is a role to be played by commuter carriers, but that role is yet too undeveloped to be frozen into law.

The need of the commuter industry is not for legislation conferring status, such as a "limited" certificate, but for a regulatory climate which will permit the industry to pursue its orderly development and give each commuter carrier an opportunity under part 298 to prove its ability to meet the needs of the public.

Based on such results, carriers wishing to do so could then seek the award of a conventional certificate of public convenience and necessity. There is no reason such certificates could not be obtained under shortened or special simplified procedures such as the Board has adopted for certain other types of certificate cases.

The concept of a conventional certificate for a commuter carrier is not an abstract one. In several cases, certificates of public convenience and necessity have already been awarded to commuter carriers. And, in the Board's pending New England service investigation, there are about nine commuter carriers currently applicants for certificates of public convenience and necessity.

The award of a conventional certificate to a commuter airline can, if necessary, also be made to assure the operation of small aircraft, without new legislation. This can be done by imposing conditions, such as the Board frequently does, on subsidy eligibility or other forms of relief, dependent upon the operation of aircraft of appropriate size. The point is that, by relying on these established techniques, either under part 298 or through conventional certificates, the Board can harmonize integration of sound commuter services with the existing air route system in a way that would not be possible if the law required issuance of a new and untested form of "limited" certificate.

The foregoing is not intended to suggest that no changes are required to improve the current regulatory environment of commuter carriers. Quite the contrary. We think changes are needed, but that these changes should, at this time, be left to the CAB to accomplish.

If commuter airlines are going to justify the award of conventional certificates of public convenience and necessity, they need, as I have pointed out, a better opportunity to develop than part 298 affords in its present form. Part 298 has historically been based on free entry and unrestricted competition. Such a policy made sense for the irregular "jitney" services that the Board envisioned when the rule was first adopted. However, where scheduled services are operated requiring substantial capital investments, different problems are created. Unrestrained competition may then destroy rather than develop useful services.

This, in an oversimplified sense, was the experience of the airline industry prior to the Civil Aeronautics Act of 1938. It is being repeated today in the commuter industry, where established and promising commuter airlines can be driven into insolvency by virtue of unrestrained competition from other commuters.

For this reason, the local service carriers have recommended to the CAB that part 298 be revised to require specific approval by the Board of those situations where a commuter carrier proposes to compete with an existing operator. Hearings would not be required, but the procedure would, for the first time, give a carrier already serving a market—commuter or certificated—the opportunity to show how additional competition may be inconsistent with the development of better air service. This concept of a limited form of route protection has already received the support of a number of commuter airlines.

Our proposal will not only aid the development of strong commuter airlines but will remove some of the legal uncertainties created by the recent decision of the U.S. Court of Appeals for the District of Columbia in *ALPA versus CAB*. The essence of that decision as we read it, is that exempted services may not impinge upon certificated services without adequate procedures and findings by the Board. Our proposal calls for just that.

Finally, let me emphasize that the ALTA rulemaking proposal is only one of many matters pending before the Board which gives it the opportunity to adopt constructive changes in the regulation of commuter airlines. The commuters themselves have proposed changes in part 298. A possible increase in the 12,500 pound weight limit is at issue in another proceeding. In addition, in the New England service investigation, the Board is, for the first time, considering the question of whether carriers should be allowed to hold dual authority as commuter airlines and certificated carriers as well as the question of whether commuter operations should be forbidden on certain certificated routes.

Considering the pendency of all these matters, and the substantial changes that may result from them, we recommend that the Committee at least defer to the time being any action on legislative proposals such as S. 796. However, if the committee feels that legislation should be enacted now, we would be glad to help in any way we can in perfecting its provisions.

I would now like to turn briefly to the legislation proposed by the CAB for an experimental program of subsidy by contract.

Although it is only experimental in nature, this proposal is significant in several respects. First, it represents a marked departure from the present system of paying subsidy, as contrasted to an effort to improve that system. Second, it would for the first time support with Federal funds air services not conforming to the obligations of a certificate of public convenience and necessity or the requirements of part 121 of the Federal Aviation Regulations.

In light of these and similar considerations, the ALTA carriers would like to review the Board's proposal carefully and in detail. As you know, until yesterday, we had only preliminary indications as to the specifics of the Board's proposal. Under the circumstances, as I am sure the Chairman will appreciate, it has not been possible for the local service carriers to formulate definitive views to present at this time.

The ALTA carriers will hold a regular quarterly meeting early in May and it will be possible at that time to canvass our membership to determine what, if any, specific comments or suggestions they wish

to make concerning this proposed bill. With your permission, therefore, I would propose that any further comments the association has on the Board's bill be submitted to the Committee as early as possible next month. At the same time, we would expect to submit our more detailed comments on the operation of the Board's existing subsidy program.

Thank you again for the chance to appear here this morning. I will try to answer any questions you may have.

Senator CANNON. Thank you very much. In your statement, you say, "In our opinion, there is a role to be played by commuter carriers, but that role as yet is too undeveloped to be frozen into law." What do you envision as the role of the commuter carriers?

Mr. RASENBERGER. I think if we knew that we could make more specific recommendations. I think, Mr. Chairman, it is a role that is evolving in ways that none of us are able to predict or even entirely perceive. It will certainly involve service to very small cities, cities that are developing such low traffic levels that even subsidized service could not be justified. It will certainly involve feeding certificated carriers with traffic. As you know, about 80 percent of commuter traffic is now connecting traffic.

Senator CANNON. Are you saying in your first statement there that by developing a service at small communities, that subsidy is not justified for that purpose?

Mr. RASENBERGER. I think, of course, that is a determination for Congress. But so far—

Senator CANNON. Isn't that the determination that Congress has already made with respect to the local service carriers? You are developing service at communities that are uneconomic from the standpoint of unsubsidized service, and Congress is subsidizing through the local service carriers. It sounds to me as if you are saying they shouldn't do that for the commuter carriers because they shouldn't be in the business of serving uneconomic locations.

Mr. RASENBERGER. No, if I gave that impression, I didn't mean to do so, Mr. Chairman. I am talking about communities of, say, less than five a day, less than the Board's conventional "use it or lose it" standard, the very smallest group of communities covered by the Board's small-community study. Certainly, the local carriers have an obligation and should provide, and intend to provide, service to communities that cannot otherwise support service. Thus, far, the Board has found that could go down through communities as low as five a day. When you get below five a day, commuters are now performing a role, and perhaps will continue to perform a role, but the basic role of providing service to communities that can't support it is that of local service carriers, and we want it to continue to be that.

Senator CANNON. You said changes are required to improve the current regulatory environment of commuter carriers, and you think changes are needed, but these changes should at this time be left to the CAB to accomplish. What are the changes that you think are needed?

Mr. RASENBERGER. We have proposed specific changes in a petition for rulemaking to amend part 298. The principal change that we have proposed would be one which would give route protection to commuter carriers. We are seeing the industry develop with many business failures, bankruptcies, and losses, so the need is for—

Senator CANNON. Is that the same proposal that you made that would keep the commuters from competing with the local service carriers?

Mr. RASENBERGER. We haven't made a proposal that would keep them from competing. We made a proposal which would require specific Board review before they could compete. Now, there is no specific review. In other words, we are saying where competition is going to take place—commuter versus commuter or commuter versus local——

Senator CANNON. In your proposal, wouldn't the local service carriers have the right of veto?

Mr. RASENBERGER. No, sir. That is a common misconception about our proposal. All we are suggesting is a procedure where competition was about to take place. A sort of notice of intent would be filed, as is now done with air-taxi mail service, and at that point an incumbent carrier would have the opportunity to object. That objection would not veto the service, but would require an ordinary exemption procedure, such as is required in other specific markets today.

In other words, instead of automatically competing, the carrier would have to make an ordinary exemption showing.

Senator CANNON. What other changes do you think are needed other than giving some route protection? I have here a summary of the ALTA position to the Board on that:

The application would be subject to an absolute veto by the affected certificated carrier or commuter airline for under the proposal no competitive service authorization could be issued if any authorized certificated air carrier or commuter airline providing passenger service in the market objects.

Mr. RASENBERGER. Is that from a commuter carrier publication, Mr. Chairman?

Senator CANNON. That is from the testimony presented by NATC.

Mr. RASENBERGER. Yes; I have read that statement before in other NATC documents. That is just not correct, Mr. Chairman. All we are talking about in terms of a veto is an opportunity to insist upon a regular exemption procedure.

Senator CANNON. Would you provide for the record your petitions to the Board?

Mr. RASENBERGER. Yes; I would appreciate the opportunity to do so.

Senator CANNON. I wish you would review this and submit for the record a response to this statement if it is incorrect.

Mr. RASENBERGER. Yes. Thank you. We will do that.

Senator CANNON. Outside of some route protection, what other changes do you think are needed?

Mr. RASENBERGER. That is the principal change that we have proposed. I think it can be summarized in the words "route protection." It would also involve a new definition of what a point is. And it would involve grandfather rights for those commuters already in markets.

In other words, an opportunity that these commuters don't have now to develop a service and see it work, without the invasion of competition, competition which may not be seriously interested in the market, which may be temporary, but which may do great harm while it is there.

Senator CANNON. Do you take a position with respect to the increase in the 12,500-pound weight limit?

Mr. RASENBERGER. Most of the local carriers that appeared in the CAB proceedings took the position that the weight limit should not be increased except perhaps to be translated into a passenger limit, but that the aircraft should be of the current size. The reason for that was in the first place there isn't an airplane that fits the description of a larger commuter airplane today short of the kind of aircraft we are operating.

Second, the FAA has said that it would not in any case certificate such larger aircraft for operation under part 135, but rather under the more rigorous requirements of 121.

In turn, the commuter carriers have difficulty due to the costs on complying with 121. So we don't have the airplane, and if we got the airplane, we doubt if many of the commuters would operate it. But perhaps the more fundamental significance, Mr. Chairman, is that this effort to increase the weight limit reflects the dynamics of this industry, which are always in the direction of larger aircraft, not just to meet the demands of the public, which are always there, but to grow in efficiency with bigger aircraft, and that seems to me something that has to be borne in mind considering all of these legislative proposals, that inevitability.

Senator CANNON. Your statement says:

That there has already been created, with the support and encouragement of Congress, a large primary system of local air services—a system that the carriers themselves are committed to maintaining and improving.

If that statement is true, how do you explain the fact that the carriers themselves have abandoned dozens of small communities in the last few years in an effort to concentrate their equipment resources to larger cities on their routes and as a result have consistently gone to the larger equipment that you have just been talking about?

Mr. RASENBERGER. Mr. Chairman, I guess I would explain it first by saying I am not sure that is true. There is no question that we have grown in the direction of stronger routes and serving larger cities. But the CAB's figures show, for example, in 1960 we were serving 459 cities and in 1970 we were serving 461. In 1960 we were serving 252 exclusively. And in 1970 we were serving 289 exclusively. So, while there has been some winnowing of small points, the characterization of the locals as running away from their responsibility to serve small points, I think is very inaccurate and very unfair.

Senator CANNON. I must say from my personal experience I would have to disagree with you. I have had a little experience in this area. I have seen them do just the opposite from what you are saying. As a matter of fact, I could give you an example. One of the local service carriers at two of their very initial routes in which they applied for a temporary certificate, after they got a little strength and little better business on the long-haul routes, they immediately went in and applied for relief to drop them. The business wasn't any worse at that point than it was when they tried to get the temporary certificate. This has happened in many, many cases throughout the country. I could give you dozens of examples.

Mr. RASENBERGER. There have been points dropped, no question, Mr. Chairman, and there have been points added. The only point I would

make is, considering that has happened to our subsidy over the last 5 years, the number of points that have been dropped is remarkably few. I mean the penalty that the locals have paid for staying in small points in light of subsidy that has declined to as low as \$35 million, in the light of reductions in their retained earnings from a plus of \$36 million to a negative of over \$79 or \$80 million today; the fact that we have stayed with these cities in light of those substantial financial penalties, it seems to me, reflects our commitment to those services. It is a commitment we want to carry out. But I am not sure how much longer the industry will have the wherewithal to stay with it. I doubt for very much longer without more subsidy relief.

Considering these circumstances and considering the numbers that I did give you about cities we are serving, I would say it reflects a substantial amount of devotion, if I may say so, to small city service.

Senator CANNON. But consistently, the carriers have come in and tried to get the long-haul routes. The first thing they do is say we will take this without subsidy or a subsidy ineligible route, because they want to get that long-haul business. It is natural; I am not criticizing them for doing that, just as the trunks wanted to get out of a lot of the areas the local service carriers are handling now. They prefer to all have New York to Los Angeles nonstop and nothing in between, I think, you know, or something of this sort, to give them a better picture of profitability. I think that the local service carriers are much in that same category. Earlier testimony before the committee has indicated that local service to small communities provided by small aircraft by the commuter operators can be operated much more economically than by certificated local service carriers. How, then, can Congress justify increasing subsidy payments for service in large aircraft, when local air service can be provided much more economically, perhaps even without subsidy as you have seen in some instances, by the commuter carriers?

Mr. RASENBERGER. I would make two answers to that. First of all, these small aircraft do represent a different kind of service than larger aircraft, as you know. It may be appropriate, but smaller aircraft do not have the amenities of larger aircraft. So while you may be paying less, you are also getting less. In terms of frequency of service, that less may be made up. I do not mean to suggest otherwise. But I think that is a consideration.

The second consideration is, What is happening to commuter costs? I agree with you, Mr. Chairman, if you take today's costs and consider them frozen, they are lower. But the point I would like to make is that the dynamics of this industry inevitably push those costs in the direction that our costs have been pushed over the last decade or more. The pressures of this industry push those carriers in the same directions we have been pushed.

As you pointed out, we have gone into larger aircraft and larger markets. We have done that for a reason. Because we have been able to lower our seat-mile costs in the course of acquiring these added aircraft, we have been able to reduce the cost of providing service to a subsidized passenger by over half in the last 8 or 10 years. We have been able to reduce our break-even load factor, Mr. Chairman, from over 60 percent to below 50 percent.

In other words, we have improved our viability very substantially in the process of getting larger, faster, more efficient airplanes, and those same facts apply to commuters.

So, whereas today, if you stick with the smaller airplane, if you don't get computer reservations and all the other things that everyone wants, you can say the commuter costs are lower. But if you look down the road, I question how much lower they will stay.

Senator CANNON. How can a commuter carrier without some sort of a CAB certificate be protected from uneconomic protection over routes which it has developed, but which have become lucrative enough to invite competition from another commuter or from a local service carrier? We heard testimony yesterday how a carrier developed a new route over a 6-year period, and then suddenly when the route was developed, the local service carrier decided to reenter the market.

How can you protect a commuter from that sort of thing?

Mr. RASENBERGER. Let me say first with regard to protection against other commuters, there is exactly what we hoped to have accomplished from the proposal we made to the Board which would require a specific exemption proceeding before you could compete, whereas today you can compete without notice to anyone. The Board would have to say, yes, this market is big enough to justify competition between commuters, and, no, the commuter that has developed it so far does not have the vested interest in it to warrant that protection. We think that is a serious problem.

As to protection from locals reentering markets, of course, the commuter presumably knew the local had the authority in the first place to serve that market and could go back in at any time. But nevertheless, the locals have accepted, and the Board has imposed, in many of these markets specific restrictions to prevent the local from reentering the market without prior Board approval.

Those procedures have worked in some cases; they could work in other cases. I agree with you, Mr. Chairman, that a carrier that builds the market is entitled to the opportunity to make it work, to show that it can do the job, and perhaps if it is a commuter carrier, to show that it deserves a conventional certificate as a result of that.

Senator CANNON. You heard that testimony yesterday, I presume, from the commuter that had built the route up, a very profitable market, and Ozark stepped back in?

Mr. RASENBERGER. I did not hear that, sir. But I know of examples where commuters have built up profitable markets and other commuters have stepped in. Executive Airlines, as you know, is a primary example of the results of that kind of competition.

Senator CANNON. Thank you very much.

Mr. RASENBERGER. Thank you, sir.

Senator CANNON. Our next witness is Mr. Robert A. Small, president of Virginia Air Cargo Co.

STATEMENT OF ROBERT A. SMALL, PRESIDENT, VIRGINIA AIR CARGO CO., INC., CHARLOTTESVILLE, VA.

Mr. SMALL. Mr. Chairman and members of the subcommittee, I have not prepared a statement because I feel like a fish out of water.

Our service is strictly a freight service serving central Virginia. We do not carry passengers, and about the only way we qualify is that we fly aircraft under 135.

Senator CANNON. You haul for the post office?

Mr. SMALL. No, sir. We generate freight from individual shippers. We do not contract, nor do we carry mail. Certification would not do us any good. We are certified in the State of Virginia.

But our competitors are the trucks. So the only reason we are certified in Virginia is because we have to have a certificate of public convenience and necessity to transport interstate property by air.

We serve areas such as Farmville, Va., population of 32,000; Gordonsville, Va., population 27,000; Orange, Va., population 22,000; and then we serve the larger areas due to the fact that our aircraft has to come back, such as Charlottesville, 77,000; Richmond, 543,000; and Staunton, which serves three communities, totaling 147,509. We fly this freight into Washington National, Dulles, and Friendship.

Now, with a little innovation and thinking and listening to the testimony, we started with absolutely no market for airfreight in these areas. In 1970, the first quarter we carried 61,915 pounds; in 1971, we carried 198,271; and in 1972, first quarter, we carried 307,748 pounds. In 1970, we carried a total for the year of 714,809 pounds. In 1971, we ended the year with the 1,136,755 pounds. And this year there is a projection of over 2 million pounds.

Senator CANNON. What type of aircraft do you use?

Mr. SMALL. We fly the Cessna 207 and Britain Norman Idleson twin engine. We are preparing to file an exemption for a C-47 because last week it cost us \$338 to move the cargo we could have moved for \$110 if we had the proper equipment.

We do not need fast equipment as the passenger commuters, but we need volume equipment, as the C-47 with a payload of over 7,000 pounds, because we feed in from these small airports into Charlottesville, which builds up to 10,000 or 12,000 pounds to go out. With Washington National, airlines cutting back, we can't move the freight out unless we can move it all at once. So listening to the testimony and feeling for the commuters, of course, we do not believe in subsidy. If we take a good study of the transportation system, we know that subsidy was not the answer, and we believe that subsidy into Virginia, we are getting in the area of Farmville, which is another story; it would take a person about 4 hours to drive.

Senator CANNON. What types of freight are you shipping?

Mr. SMALL. What types?

Senator CANNON. Yes, types.

Mr. SMALL. Electronic, telephones; we carried 800 dogs last year.

Senator CANNON. 800 what?

Mr. SMALL. Dogs. Machinery, generators. We even carried from Westinghouse, transformers.

Senator CANNON. Just a wide variety?

Mr. SMALL. We don't specialize.

Senator CANNON. You don't find that one particular product is a big item?

Mr. SMALL. No, sir. Because we have to call on every smokestack and water tank in order to make the payroll. We take anything that we can carry. We develop markets for the shippers. We have enabled

five Virginia corporations to expand their markets to the west coast by using airfreight from these little small communities.

So I believe that if the commuters—like ourselves, we drop stations. We go there; they promise us the world, and we have a couple of months' schedules, and they are not producing anything; we drop them right away. We hold another conference with the shipper and found out that the figures they gave us, they are shipping out by truck, that they said they were shipping by air, and we pull out immediately. But we are in favor of larger aircraft. We have to have a larger aircraft or we are not going to survive.

Like I say, we have an exemption. We are getting exempted for a C-47. Maybe in 3 months, the way we have been developing the freight, we might have to look for a C-46. Then we have to go and get another exemption.

So if the Board would just put a weight limitation maximum, we would appreciate that.

As far as subsidy and certification, like I say, we compete with the truckers; and if another airline comes in and we are having time competing with the truckers, they are not going to make it, either.

Senator CANNON. Thank you very much. We appreciate your being here.

Mr. Carl Benschoter, president of Executive Airlines.

STATEMENT OF CARL A. BENSCOTER, PRESIDENT OF EXECUTIVE AIRLINES, INC.

Mr. BENSCOTER. Good morning, sir.

Mr. Chairman, I am president and chief operating officer of Executive Airlines, Inc., a commuter airline with a history of 10 years of service in the New England area. Statistics on the commuter air carrier industry have consistently shown Executive to be one of the largest of the carriers in terms of passengers carried and revenue passenger-miles flown.

In late 1971, the majority investor in Executive found it necessary to file for an arrangement under chapter XI of the bankruptcy statutes. The airline is currently operating under the provisions of this law and is seeking a source or sources of new financing whereby it can continue to operate and provide the needed public transportation services in New England.

Without going into detail about what brought on its present financial plight, I am confident that had the carrier been certificated and regulated to the extent necessary, its expansion programs would have been controlled and attention focused on the service pattern in which it had been successful. The effort to grow beyond its financial capability would not have happened, and it would have been in a much more healthy position today.

Senator CANNON. What you are really saying is that the Board sometimes needs to protect a carrier against itself?

Mr. BENSCOTER. I think that is true in large measure. I have been connected with this industry since 1946, and initially Robinson Airlines applied for a certificate in April of 1945. As the committee knows, the certificates were awarded to the local service carriers in 1947 through, I believe, 1949. Robinson's certificate was awarded in 1948,

during which period between 1945 and 1948, it operated similarly to the commuters today, provided a service to smaller communities and grew that way.

Of course, just the other day, the merger between what is now Mohawk and Allegheny was approved. But that history, I think, is being repeated here today.

Since the bankruptcy filing, the attention of the present management has been directed to serving the New England communities and routes designated as replacement services for Northeast Airlines and Mohawk Airlines. By concentrating on these services, we have developed one of the most outstanding service records, in my opinion, that has been achieved in the New England area during the winter season. Over 25,000 passengers have been carried in the first quarter of 1972 between Boston and 10 cities at a load factor in excess of 42 percent, with over 92 percent of all schedules operated. And of those operated, 96.3 percent were on time or within 15 minutes of scheduled departure time.

The recognition by the CAB of the substitution service by Executive over routes certificates to Northeast Airlines does not preclude other members of the commuter industry from using their "free entry" rights to fly against this carrier, attempting to stay alive in the marketplace.

Two other carriers are now flying competitive services against Executive. One of these companies is directly competitive between Boston and two cities in Maine in markets that clearly will not support both companies.

Senator CANNON. Is your substitute service under contract with the parent carrier?

Mr. BENSCOTER. No, sir.

Senator CANNON. You don't receive any financial support from them?

Mr. BENSCOTER. We do not receive any direct financial support from either Mohawk or Northeast. We do receive certain services which are useful in providing service and certain supplies that reduce costs, which are helpful.

The other is competing in one pair of cities where not only Executive flies complementary service to Northeast, but Northeast itself also serves. This situation clearly points out the need to have commuters certificated not only for their own financial health, but for the public need and necessity.

Executive Airlines is a party to the New England Service Investigation—a CAB case recently begun to determine the needs of New England for new or modified air transportation services. In its bankrupt posture, this company that has served New England for over 10 years has no funds to promote its case properly. If it were able to do so, I am confident the record established and the public need the company has satisfied would stand it in good position for an award in this investigation. Unfortunately, the timing is such that our survival must come first.

Following World War II, air transportation developed rapidly and many new carriers were certificated. The present local service industry was born. The CAB properly found the public interest required that these companies be supported with subsidy for service to the small

communities to which this service was authorized. Their growth has been away from the small communities and we have seen a repeat of this history over the last 10 years. Now it is the commuter industry that is serving these small communities without Government support.

Senator CANNON. In the areas that you are now serving with substitute service, were those routes available for subsidy before? Were they receiving subsidy prior to the time you stepped in?

Mr. BENSCOTER. Yes. I think in the case of Mohawk, that carrier has always been subsidized, and the route that we substitute for Mohawk between Albany and Boston is a route which is subsidy eligible. The route or routes on which we substitute for Northeast, if my memory serves me correctly, were granted to Northeast under the grandfather rights back in about 19—the early days of the Civil Aeronautics Board. Those routes as recently as 1968, I believe, were subsidized.

Senator CANNON. But since that time, they have been off subsidy?

Mr. BENSCOTER. Yes. I think Northeast gave up subsidy about 3 or 4 years ago. I think the last year those routes were subsidized, the subsidy awarded to Northeast in the New England area, specifically for the New England area, was on the order of \$1.5 million.

In many cases, this can be done without subsidy, but where the service is in the public interest and properly and economically performed, I believe these companies should be eligible for subsidy. Certainly they should receive an exclusive franchise to provide the service and be protected from uneconomic competition.

I speak mainly here of the routes which have been developed by these carriers or the routes in which they have been designated subsidy carriers after consideration by the CAB.

We urge the prompt adoption of the necessary legislation to recognize and certificate the deserving commuter carriers in the markets they are serving. Thank you very much.

Senator CANNON. When you were awarded your substitute service or when you commenced your substitute service, mechanically, how did that go about. Did Mohawk ask to be relieved of service there and you just stepped into the picture, or what happened?

Mr. BENSCOTER. Senator Cannon, I wasn't personally involved with the company at that time. I could speak to the best of my knowledge about it. There was a case presented to the Board by Mohawk and Northeast and Executive in which certain proposals were made for substitution by Mohawk for certain Northeast routes and by Executive for certain routes that were flown by Mohawk and Northeast.

The Board, in this three-way proceeding, approved the substitution in the one case by Executive for Mohawk, and in two other routes, the substitution of Executive for Northeast, I believe in three separate route segments the substitution of Mohawk for Northeast. This, I think, took place in 1968.

Senator CANNON. Really, the approval was for the other companies to suspend service in each case, and I presume then Mohawk was approved to go in and substitute for Northeast, and it required no substitution on your part as a commuter under 12,500?

Mr. BENSCOTER. It granted the right to fly the route, I believe, without a specific requirement, although frequencies were set up that the substitute carriers had to meet in the various New England route segments.

Senator CANNON. How many airplanes do you operate now?

Mr. BENSCOTER. We operate six Twin Otter de Havilland aircraft, 19 passengers.

Senator CANNON. That's all?

Mr. BENSCOTER. Well, the bank took over most of our fleet on the filing of bankruptcy, and the aircraft we now operate are leased. It is a standard fleet of six airplanes.

Senator CANNON. Are you under chapter 10, under reorganization, or what?

Mr. BENSCOTER. We are under chapter 11 of the bankruptcy statutes, which provide for continued operation during the course of an attempt to reorganize.

Senator CANNON. Have you been able to arrange financing so far?

Mr. BENSCOTER. No, sir. We are still working on this.

Senator CANNON. How many employees do you have?

Mr. BENSCOTER. Currently, 119.

Senator CANNON. What kind of a profitability picture did you have last year?

Mr. BENSCOTER. Prior to filing bankruptcy, the estimated losses for the year exceed \$2.5 million. I think the company, very frankly, in its more recent years, embarked upon an expansion program, both in New England and the Florida operation, which was uneconomic, and our present attempt is to bring this operation back to one that is possibly viable. I think we are making progress in this direction.

Senator CANNON. Is your traffic holding up on these routes that you have now restricted yourself to?

Mr. BENSCOTER. Yes. The traffic is quite respectable as that load factor of 42 percent, I think, indicates during the winter season. That is as good, in fact, as the company was operating last summer with its expansion routes.

Senator CANNON. Thank you very much. We appreciate your being here.

Mr. BENSCOTER. Thank you, sir.

Senator CANNON. Our next witness is Mr. J. L. Seaborn, president of Metroflight Airlines, Inc.

STATEMENT OF J. L. SEABORN, PRESIDENT, METROFLIGHT AIRLINES, INC., DALLAS, TEX.

Mr. SEABORN. Mr. Chairman, staff, it is a pleasure to be with you today.

My name is J. L. Seaborn. I am president of Metroflight Airlines, Inc., which is a Texas corporation. We are and have been operating in the Houston, Tex., area for about 3 years as Houston Metro Airlines.

We have a rather unique, extremely shorthaul type of service. You know the airlines say it is axiomatic that the shorter the haul, the smaller the profit. We have tried to turn this around to say the shorter the haul, the higher the frequencies.

We had market research and saw a new market that did not exist before.

I have a slide presentation of about 10 minutes I would like to present here which could give you a good idea of what we are doing. It is

a short takeoff and landing operation, STOL, using the DeHavilland Twin Otter.

I would be happy to go into our plans of operations, what we propose to do. The basic concept of a hub system is the hub being the big city regional airport and the spokes being the small community airports. These airports can be either STOL or heliports or conventional types of airports.

We feel that with a high-frequency type of service using either helicopters or STOL equipment we can operate and feed into the hub airport with a radius of about 100 miles.

So, if I may have the lights off, I will show a slide presentation.

I would like to say this was designed to show to the local chamber of commerce and civic clubs in the Houston area, if you will keep that in mind, please.

NARRATOR. When it comes to air travel today, we frequently hear the complaint, "We spend more time getting to the airport than we do on the air trip."

Elsewhere this may be so but not to the residents of Pasadena, League City, Clear Lake, La Porte, Dickinson, Texas City, Friendswood, and other adjacent Houston area communities, for these people can fly the 50-plus miles to Houston's Intercontinental Airport at less cost than they can drive and park thanks to aviation's new commuter airlines—Houston Metro Airlines—the shuttle airline that gives you free parking and jets you directly to the Intercontinental Airport terminal building in 15 minutes.

Back in the early thirties when Eddy Rickenbacker and other pioneers assisted the Houston Chamber of Commerce in locating a site for their first commercial airport, Houston became accustomed to a field relatively "close in."

The airport, first called Municipal Airport, then International, and now known as Hobby Airport, was 5 miles from downtown and about a 20-minute drive. It was also convenient to the ship channel areas and communities adjacent to the Manned Spacecraft Center.

After only 10 years of operation, it was obvious that the present terminal building and its attendant airport facilities was proving obsolete.

Houston's furious growth created a vastly overcrowded situation at the ticket counters, the boarding areas, runways, and parking lots.

In 1969, authorities commenced the planning and acquisition of ground necessary to build a new airport, an airport capable of accommodating the upcoming generation of jumbo jets. Houston wanted the best and it set its sights high.

It would be called Intercontinental, be located 18 miles north of Houston, have plenty of expansion room, and be innovative to the degree that many of the Nation's leading construction companies declined to bid on the project.

In 1965, construction started on the design that centered on the large individual terminal concept with separate satellite loading terminal for each individual airline.

The main terminals, designated presently as A and B, provide travelers with ticketing, baggage service, shops, restaurants, car rentals, nursery, first aid station, and many other passenger services. A hotel and restaurant adjacent to terminal B will open in 1972.

The new airport with its splendid architecture, graphics, and artistically clean look is regarded as one of the most attractive and functional airports in the world today.

However, with the opening of the new airport in June of 1969, it became clear that this attractive and functional airport was ideal except for the distance from town.

Travelers soon learned that it involved a disheartening and frustrating surface trip in commuting to and from town, especially those commuters to the southeast.

The freeway builders have struggled to keep pace with Houston's unbridled growth, but severe congestion is winning the race, particularly at peak travel times, and it is not uncommon to spend 60 minutes plus en-route on the freeway between Clear Lake City and Intercontinental Airport, a distance of 51 miles.

The Manned Spacecraft Center, with its 6,000 employees and visitors, would have a sudden awakening when it came to travel by car to and from the new airport.

And the 10,000 to 11,000 contractors' employees supporting NASA would also encounter not only expense, but untold delays in shuttling their people between their own offices and such cities as Washington, Cape Kennedy, New York, Los Angeles, and Denver.

Farther south, the Clear Lake/Bayport/Texas City/Alvin petrochemical complexes would also be severely handicapped when the commercial airlines moved from Hobby Airport. Companies such as: Celanese, Union Carbide, Monsanto, Amoco, and many other smaller companies, and their out-of-town visitors.

Like in other cities, airport and aircraft technology had taken giant leaps forward, but in Houston and surrounding communities to the southeast and southwest, travelers became virtually second class citizens, and it hurt most in two areas.

1. The pocket book, and
2. Wasted time.

A taxi fare, for example, from Intercontinental to Clear Lake clocks at 51 miles and a whopping \$25 fare.

Thus, a new company was born—an aviation pioneer in its own right—the high frequency low cost shuttle airline that provides fast and economical transportation to the main airport.

Houston Metro Airlines—a full service airline operating to the industry's highest standards—became operational on June 8, 1969, the day Intercontinental opened to the public.

Clear Lake City Airport, located just 5 minutes from the NASA Space Center, is owned and operated entirely by Houston Metro Airlines.

For our passengers this means that holding patterns and air traffic control delays are nonexistent because no other planes are allowed to land at Clear Lake.

And your familiar baggage check, with C-L-C on it means that you can travel on any airline in the world and have your baggage checked and transferred to your Houston Metro inbound flight.

And you quickly depart the Metro terminal and you are home or at the office within a very few minutes after deplaning.

And remember, at Houston Metro, you park free.

Metro's scheduled flying time is 15 minutes, although most trips are shorter.

At Intercontinental Airport, Metro lands on a close-in special landing area called a STOL runway—for shortfield takeoff and landing. It is adjacent to the main terminal building thereby avoiding aircraft traffic on the main Intercontinental runways and saving several minutes in arrivals and departures.

Metro flies the famed DeHavilland, jet-powered Twin Otter, remarkable for its load lifting and the slow flying characteristics enabling it to land and take off in less than one-fifth of customary aircraft distance.

It is an unusually strong airplane—built to operate in unprepared fields in Alaska, Australia, Africa, and other inaccessible areas—and has been adapted to the commuter and shuttle airline industries because of its unique safety and operating features.

In its shuttle configuration, as flown by Metro, it seats 19 passengers and stores their baggage in two separate compartments.

The airplanes have air conditioning, stereo music, and are equipped, of course, with a complete complement of all-weather instruments and backup equipment; meaning they can operate in poor weather to land and take off at either Intercontinental or Clear Lake.

Two flight officers are utilized always. Most Metro captains are former military transport commanders averaging 11,000 hours and over a million miles in the air.

The jet engine has brought with it not only speed, but ease of maintenance. Metro's Otters do not go to bed at night, but rather go through a progressive maintenance process to keep them in excellent flying shape.

And just like any scheduled airline, these procedures conform to the commercial airline inspection standards of the Federal Aviation Administration.

The day is not too far off when Houston Metro will provide shuttle service from other points in Houston. Municipal authorities are working with Houston Metro to make this a reality soon.

Houston Metro has an innovative service arrangement with Continental Airlines so that when you call Metro for a reservation, Continental's sonic 360 computer gives you an instantaneous reservation and route on any of the world's scheduled airlines.

Your baggage is always checked to your final destination and the Metro-Continental ticket counters can write you a ticket on any scheduled airline worldwide. This eliminates further detail outbound at Intercontinental for you simply go aboard your Continental flight from across the lobby from where your Metro flight has parked at Intercontinental or to another satellite for another airline departure.

You can also request reservations and ticketing on Metro from any scheduled carrier in the world. There is never any bother with additional ticketing or baggage handling.

With Houston Metro, you have taken a big step forward in the Nation's transportation system, and from a convenience and economy standpoint, you are probably much better off than your counterpart elsewhere in the city.

With Houston Metro, you are no longer a second-class citizen. You have joined the superclass who go to the airport in an airplane.

You also may be interested in knowing that Metro carries airfreight on all flights. You or your company can ship all the way—practically to and from your doorstep by shipping straight through on Metro's twin-jet Otters. It's quick, reliable, frequent, and lower in price than delivery trucks. It's your best bet for fast freight.

Houston Metro's Terminal is just north of NASA 1 and Bay Area Boulevard on Old Galveston Road. Southbound travelers on the freeway find Farm Road 2351 a convenient exit to get to Old Galveston Road, paralleling the freeway. From there turn right and look for the Stolport on the right (about 2 miles).

Driving time is about 25 minutes from Clear Lake to Galveston. When Metro's customers arrive or depart from Clear Lake City, they have available to them the same customer services and conveniences as any metropolitan airport in the country.

Hertz and National rental cars have their facilities in Metro's terminal, so passengers can claim their previously made reservations just seconds after arrival.

Also, at Metro's terminal, taxis are available to take you quickly to your destination in the event you are otherwise without transportation.

Metro's cocktail lounge is always open for snacks and beverages.

Perhaps foremost among all passenger conveniences of Houston Metro is its ample free parking. Considering the trouble and expense of today's airport parking, this has proven to be a real time and money saver.

The Clear Lake schedules are quite convenient. Flights depart every hour, morning through midday, and every 30 minutes during peak p.m. hours for a total of 48 flights daily.

Metro has a variety of family and youth fares providing valuable economics when the family wants to travel together.

As an example: With a typical family of four the father would pay full fare, the mother half fare and each child under 21 would pay only 25 percent of the regular fare.

For the plan best suited to your needs, call the Metro reservations agent or your local travel agent.

When advising your friends or associates who wish to fly Metro for the first time, advise them that they will arrive at either terminal A or B and that all Metro flights arrive and depart from gate 10, terminal A.

If your passengers are arriving at terminal B, they should take the underground train to terminal A, and to Continental's departure satellite area where the Metro gates are located.

The best way to travel, of course, is to arrive on Continental Airlines; it's simply a matter of transferring 50 feet from one plane to the other. Your baggage is automatically checked abroad the Metro flight.

Remember, for outbound ticketing, consult your travel agent or the Metro reservation number listed in all area telephone directories.

Your reservation will be made to any destination point—and your baggage will be checked straight through.

So, next time when you are planning a trip, let us offer you an airborne alternative to time-consuming surface travel. You can continue your trip by air practically to and from your door in a mere 15 minutes. You will benefit in productive working hours gained

and you will have a very pleasant trip by avoiding the airport terminal crunch and freeway congestion.

Yes, Metro found a need and filled it with on time and frequent shuttle flights geared to make crosstown commuting faster, comfortable, and pleasantly courteous.

That's Metro, Houston Metro Airlines, providing scheduled airline service for the Clear Lake City/NASA/Galveston area.

(End slide presentation.)

Senator CANNON. What kind of a load factor are you carrying?

Mr. SEABORN. This is another built-in hazard with this type of awfully short-haul transportation. Our load factor is only 30 percent. We are profitable. I might say that the optimum that we could ever achieve, in our opinion, is 50 percent.

During the peak travel periods, for instance, in-bound to the hub airport in the morning, we have 100-percent load factor going in and zero coming back, and that reverses in the evening. We anticipate that this will continue with our awfully short hop.

We have been forced to innovate. In our arrangements, we vary our schedules, depending on what the certificated carriers do, because every one of our passengers is an interline passenger. He is either coming in or going out on a certificated carrier.

At the invitation of a local service carrier, Texas International, we inaugurated service into Galveston, where they are certificated, to supplement their one round trip a day. We have only 1 month's experience, but it appears it will be a successful operation.

We have had several communities in the Houston area that have come to us asking for service. These are new communities that have never had service before, but they do need service.

I would like to point out a few more benefits that I think this type of service has to the public interest. The environmental factor, I would like to point out during the peak travel periods when our aircraft takes off, that can take up to 19 automobiles off the highway. We know that we have relieved a great deal of congestion in this sense and will continue to do so.

We do have a problem. I would like to pose a question. If sometime it can be answered, I would like to know the answer. The Department of Transportation's various grants, studies of mass transportation and mass transit systems, at least in our section of the country, have always ignored air transportation. We have attempted to give them some input and have been ignored. It is hard for us to understand why. We think this is a vital function.

We are certificated by the Texas Aeronautics Commission; it is one of the 19 States that do have regulatory authority for intrastate travel. We think it has been of great benefit for the commuters and for the public interest there in the State of Texas. We have to support the service, show that it is needed. We have to prove that we are fit, able, and willing to provide the service before a certificate is granted.

We have recently received a certificate for the Dallas/Fort Worth area, providing a very similar type service into the new airport that will be located between Dallas and Fort Worth, scheduled to open in 1973.

I might say that we have also another benefit. Under the Postal Department's new plan of operation, they have an emergency type con-

tract that the local postmaster recommends and it is then negotiated with the postal authorities.

We inaugurated this to provide better air mail service at Galveston, using our scheduled seven flights a day. We have been told that this speeds air mail to some areas as much as 24 hours in the United States out of Galveston.

Senator CANNON. What limitation do you have on the size of the equipment? Does the State impose any limitation on your equipment?

Mr. SEABORN. Yes, sir; they do. At the present time we are a 298 operator, 12,500-pound gross weight limitation. In CAB's hearings on this weight, we supported the STOL concept, that there should be an exemption on the weight limitation if it is a STOL operation. We have on order from de Haviland four of their DAC-7's which is a 48-passenger STOL equipment that is capable of landing on the same 2,000-foot runway.

Incidentally, that runway that you saw there at the Intercontinental Airport is actually a taxi strip that was marked off with the cooperation of the aviation department of Houston and the airport authorities and the FAA. It has been of great benefit. It allows us to make simultaneous landings and takeoffs with the conventional aircraft and it relieves any congestion that might be there during peak periods. It is also of great convenience to our passengers. By shaving just a few minutes off, it actually saves them 25 to 30 percent of the block time of each flight.

We are also using this STOL operation even on the longer hauls from Galveston, for instance, which is approximately 75 miles, and our aircraft is capable of landing on STOL strips. The DAC-7, as you know, is a 48-passenger aircraft that is proposed by de Haviland; it is on the drawing board. There are times we anticipate that we could use the seven right now. We have to put on extra sections many times during the peak periods. It certainly would be more economical for us to operate one aircraft instead of two or three.

Senator CANNON. Would you have to get authority from the Texas Aeronautics Commission to operate that aircraft?

Mr. SEABORN. Yes, sir. We would make application and receive that authority from them. We also would have to have an exemption from the CAB. We are registered with the Board and make the quarterly reports.

Senator CANNON. Do you operate solely intrastate?

Mr. SEABORN. Yes, we do, but our traffic is interstate. So, we are really ruled by the Texas Aeronautics Commission and also report to the Board as other commuter operators.

I would like to say a few words about the proposed legislation, if I may. Inasmuch as we do have a Texas Aeronautics Commission, one of 19 States that do have regulatory authority, we do not need any additional legislation at this time. We feel that the commuters have to have a certain amount of freedom to develop new markets such as the one that we have in Clear Lake City. We, of course, have to prove a certainty before the Texas Aeronautics Commission before we are granted a certificate.

But I would like to say concerning S. 796, it seems to me this is perhaps way too broad in its definition; it just more or less gives the

CAB carte blanche, and we feel very definitely that there should be a statement of intent, congressional intent, if you please, in any legislation that spells out Congress true intent, that there should be as little regulation as possible, whatever regulation there may be.

It has been our observation that sometimes the regulatory authorities misinterpret Congress' intent, and we think that this is a potential problem area. We really favor the Commuter Air Carrier Act of 1971 that the commuters spent quite a bit of time developing. It has some features that we feel are much better than S. 796. That is H.R. 11043, introduced by Representative Wilson. No. 1, it does provide the option to the commuter. If he wants the route protection, certification, or financing for whatever purpose, he can have this right and is willing to take the regulations that go with it. For those of us who do not want it and do not need it, we would not be forced into expensive public hearings and other regulations that are not necessary, in our opinion. We feel that the grandfather rights, at least the 6 months' operating before you make application, is important. This would give you a measure of protection, if some other airline wished to come in and start paralleling the route that you developed, it would give you an opportunity at that time to apply for certification.

That's all I have. If there is no other questions, I will thank you again and appreciate the opportunity to be here.

Senator CANNON. Thank you very much. We appreciate your testimony.

Mr. Charles Murphy, first vice president of the National Association of State Aviation Officials.

STATEMENT OF CHARLES MURPHY, FIRST VICE PRESIDENT, NATIONAL ASSOCIATION OF STATE AVIATION OFFICIALS, WASHINGTON, D.C.

Mr. MURPHY. Mr. Chairman.

My name is Charles Murphy, I am director of the Texas Aeronautics Commission and first vice president of the National Association of State Aviation Officials.

In preparing the statement, I assumed that we were ready to stop talking about the need for air service to small communities and to discuss the steps that must be taken to accomplish that end.

From my vantage point, which is one of working daily with the real nitty-gritty problems of bringing air service to small communities, I see two absolutely essential steps that must be taken if we are to make air service to small communities a reality.

The first step is to solve the jurisdictional problem. The Federal Aviation Act must be amended to clarify and assign the authorities and responsibilities of each level of government—local, State and Federal.

Because each level has a unique combination of experience, interest and enthusiasm that it can contribute and without each of these contributions the bringing of air service to small communities will fail.

The full commitment and participation of all three levels of government is just as essential in the development of air transportation systems as it was in creating the immensely complicated surface transportation that serves this Nation so well.

At present none of the three levels of government are fully committed to the development of a broad-based aid transportation system because they are confused and uncertain about their authority and responsibility.

This confusion and uncertainty arises from two causes which are: One, trying to apply the commerce clause of the U.S. Constitution and its many ramifications to the problem of jurisdiction of air transportation.

The commerce clause does provide a broad guideline for jurisdiction, usable in many instances, but the uniqueness and complexities of a broad-based air transportation system requires a much more sophisticated division of authority and responsibility.

If you choose to ignore this fact and to apply the commerce clause with a heavy hand, you certainly assure the fact that air service to small communities will never be developed.

Two, although the Federal Aviation Act presently provides another jurisdictional guideline based on its special definition of "interstate air transportation," this guideline is undermined by the CAB's creation of the 12,500 pound exemption which places the use of aircraft under that exemption in a regulatory limbo, making the orderly development of air service to small communities impossible.

This exemption creates an inconsistency in the State-Federal regulatory pattern that places an undue burden on the development of intrastate air commerce—and intrastate air commerce is what we are talking about.

When we talk about service to small communities, the second absolutely essential step is obviously financial. The Airport-Airways Act must be amended to give the States a share of the revenue collected under that act.

The Federal Government has usurped all feasible sources of aviation taxes. Unless the State and local governments are permitted to share in the revenue from these taxes, they will not be able to finance the many facilities necessary to support air service to smaller communities.

I would say that at least 20 percent or \$100 million a year should be returned to the States.

Neither of the steps I recommend will be easy, but they are not impossible. They require no extensive new programs, rather, the important thing is simply to remove roadblocks that now prevent full commitment and participation by all levels of government.

The relationships that must be developed between the different levels of government are intricate, but our federal system of government is sophisticated enough to develop them.

The time is ripe, and this—the Congress of the United States—is the proper place to begin, in fact, it may be the only place.

In this statement, I have attempted to state very simply how air service to small communities can be accomplished. I recognize that it is not a simple matter, however, and I will gladly answer any questions you might have. Thank you.

Senator CANNON. If the Federal Government is to provide the funds to local agencies for a share of the Airport-Airways Act, how do you envision this is going to help service to local communities?

Are you saying the States are going to turn around and subsidize the carriers through the local communities?

Mr. MURPHY. No, Senator. I don't think in terms of subsidies. I have no feelings about it.

Senator CANNON. What do you want the money for?

Mr. MURPHY. To permit the States to build the ground facilities, airports, navigational facilities, and for the cost of regulation.

Senator CANNON. We are spending an awful lot of money, a quarter of a billion dollars a year on that now. That is what we are envisioning.

Mr. MURPHY. Very true, although it is not being spent because the States have no matching funds. I think at the level at which the State operates, there is an inadequate amount of money. The States need the money to go into the smaller communities, which are not in the national transportation system because the Federal Government has no interest in their development, and I think rightly so, but the States do.

An airport in a small community, to some extent, is a competitive thing. If the Federal Government gets involved, then the airport becomes a political thing. I would think the States need to develop the airports in the smaller communities and then they should begin to develop quite extensive airports in the hub areas, which are not a part of the national system, which would be closer in, such as downtown airports, STOL airports.

The location of the airport in the hub city, in the big city, is quite important in developing a service to small communities. You can't have air service into a small community 200 miles away and take people to an airport 35 miles from downtown.

Senator CANNON. Just building an airport is not going to solve your problem of getting service to these small communities. Many communities throughout the country have airports that can't provide economic service. I don't think it is going to solve the problem to just say, give the States some money so they can build some more airports, particularly is that true when 66 percent of the taxes come from the passengers using these airports, they are not going to be very happy about having their funds diverted to building more small airports for passengers that are not there to use it.

Mr. MURPHY. I understand that. But if we are going to have air service to small communities, this is probably the only course that we have. If we had the airports today, Senator, I don't think that we would get air service into small communities immediately. I think that we are looking at probably 5, 6, or 7 years off before we can really begin to get usable air service into the small communities, because I think we have to wait, for one thing, for the proper type of equipment to be developed. I don't think proper equipment is available today.

Senator CANNON. Thank you very much. We appreciate your being here.

Mr. MURPHY. Thank you.

Senator CANNON. Mr. James Steffek, member of the Montana Aeronautics Commission, Helena, Mont.

Let me correct the record. I said 66 percent of the passenger revenues. I didn't add they were coming from the 22 largest airports in the country. So that is really where the passenger is paying for the use of these airports.

Mr. Steffek, of Montana.

STATEMENT OF JAMES A. STEFFECK, MEMBER, MONTANA
AERONAUTICS COMMISSION, HELENA, MONT.

Mr. STEFFECK. Thank you very much, Senator. On behalf of myself and the Montana Aeronautics Commission, I appreciate this opportunity to appear here and speak briefly about the problems we have in Montana and to state the recently adopted position of the Montana Aeronautics Commission concerning regulation of third-level carriers.

My name is James A. Steffek. I am the chairman of the Montana Aeronautics Commission, and I appear here today at the direction of that body in support of the major revision of the present scheme for regulating third-level air carriers.

As you know, the exemption of commuter air carriers from economic regulation by the Civil Aeronautics Board was designed to encourage commercial air service to communities too small to support service by a certificated carrier.

Regulation of safety standards for such carriers is retained by the Federal Government.

Perhaps exemption is adequate inducement to responsible carriers to serve rural communities in our more populous States.

But Montana is a State of vast distances and few people, most of whom live in relatively small towns. With the continued decline of rail and bus passenger service, we desperately need and want a system of public air transportation to these communities.

The Montana Aeronautics Commission is authorized, under Montana law, to license third-level intrastate air carriers. We are thus able to provide them with limited route protection, which is unavailable to commuter air carriers in most other States.

However, we are not able to provide route protection for interstate commuter air carriers, and there is serious doubt concerning the legal validity of our regulation of intrastate carriers.

In any event, this semblance of route protection which we are able to offer has also proved insufficient to promote the creation of satisfactory air service to our smaller towns. At the least, we need some clarification by Congress of the rights of the States in the matter of regulating these types of carriers.

However, even if our authority to grant route protection to commuter air carriers were unquestioned, it is doubtful that this would aid us in promoting air service to our rural communities. A few commuter air carriers which have attempted this service have been quickly grounded by severe economic turbulence.

Our major concern with those few who are foolhardy enough to attempt smalltown service under present conditions is the strong temptation to economize at the expense of the safety of their passengers.

We want and need air service to our less populous communities, but we are not willing to risk the lives of our rural citizens as the price of that service.

We believe that the only realistic way of providing this service to small communities in States like Montana is for the Federal Government to reassert its power to certificate these airlines.

Safety standards should be as rigorous as those imposed on the major airlines.

Adequate economic inducement must also be offered. Route protection alone is not enough.

A system of direct subsidies is the only means by which Montana can hope to develop a viable and safe system of public air transportation for its rural communities.

At present, Montana does not have the financial resources to offer such subsidies nor the expertise to fairly allocate them.

We would strongly recommend that economic regulation of this important segment of our Nation's air transportation system be reasserted by the Federal Government, and that financial assistance be provided in an amount sufficient to induce responsible airlines to provide this service which we so desperately need.

I would like to add, we have two examples that seem pertinent.

Within the past 5 years, we have certificated five commuter air carriers, none of which are operating now. Of these five, three have had fatal accidents.

Very simply, we don't feel that these are very good odds.

The other example is Frontier Airlines, operating a twin Otter under a CAB certificate in northern Montana, which is the Sidney-Glendive-Miles City, and so forth route, with a subsidy; and while I realize it takes time to develop a safety record, they have just completed the second winter without any apparent difficulties whatsoever.

Also, if Congress, in its wisdom, should care to disburse the funds for certification and safety, we would find this proposition acceptable and fair, too.

We don't have enough money to check the safety of these aircraft and pilots and thus to provide the right type of certificate.

Senator CANNON. Tell us a little about the Frontier-Apache history. What happened?

Mr. STEFFECK. Frontier was operating Convair 580's or 880's on this northeastern Montana route that went into Williston, N. Dak., they were receiving a subsidy and said that they were not able to make it even with the subsidy and asked to be relieved of this route. They talked to Apache Airlines and found they would be willing to take this on.

Apache was running rebuilt DeHavilland Doves with a jetprop engine, in Arizona; the aircraft was then called a Carstept. We had a hearing with two competing carriers, and Apache was awarded the certificate.

Apache operated, I would say, probably 6 or 8 months, and the passenger boardings just weren't sufficient. There was a Northwest strike on, and this was probably a detrimental factor. Apache felt they could provide service without subsidy, that their operation was much cheaper, and apparently it was. But even so, they did not get enough passengers.

In other words, the passenger load went down when Apache took this over. When they folded, the CAB then directed Frontier to reestablish its route, which they have done now, with the twin Otter rather than the 580.

To the best of our knowledge, with the subsidy, Frontier is making money on this route with the twin Otter, whereas they weren't with the 580. So, size of the airplane does make a difference.

Senator CANNON. What kind of passenger generation are you getting out of those areas being served?

Mr. STEFFECK. It is a little hard to tell. These records don't come through too well. Some stages are very low.

Senator CANNON. What do you mean, very low?

Mr. STEFFECK. Oh, they are boarding two or three a day.

But many of the stations are boarding, I would say, seven or eight a day, 10 a day, depending on circumstances and time of year.

Senator CANNON. Do the stages have two trips in and out a day, is that the schedule?

Mr. STEFFECK. No; it is one day each way.

Senator CANNON. That is two in and out.

Mr. STEFFECK. Right.

Senator CANNON. How did Frontier handle their labor contract when Apache went in?

Mr. STEFFECK. I don't know exactly. They just quit flying, and ALPA didn't strike. I don't quite know what they did. However, Apache's pilots were not members of ALPA.

Senator CANNON. But there was no substitution agreement in which Apache was involved; is that it?

Mr. STEFFECK. No; Apache received nothing from Frontier whatsoever, at least this is what Apache's contention was.

As a rough estimate, I believe that Frontier's subsidy for this route per year is about \$400,000, Apache felt that for a subsidy of between \$100,000 and \$200,000, that even with their declining passengers, that they could have made it.

Senator CANNON. Do you presently have any commuters serving any of your cities now?

Mr. STEFFECK. No; not at present. We have another one proposing a route between Kallispell and Helena, which, very truthfully, we are afraid of, because of the safety factors.

We have no accurate documentation that the FAA isn't maintaining the right kind of safety, but our indications are that it hasn't been too good, and this is what disturbs us mostly; somehow we have to have safe airlines.

Senator CANNON. The commuters are required to comply with part 135.

Mr. STEFFECK. Yes, sir; and theoretically, they do.

This is why I say, we don't have the funds to put someone out to check these things, to make sure ourselves that the FAA is demanding what they are supposed to demand.

So, I don't have any concrete documentation, but we know ourselves that they are not performing the job correctly.

As I say, this is what really disturbs us. We just don't like people dead in airplanes. It isn't an enjoyable thing.

Senator CANNON. Thank you very much.

The hearings will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 12:55 p.m., the hearing was recessed, to resume at 10 a.m., Wednesday, April 12, 1972.)

LOCAL AIR SERVICE TO SMALL COMMUNITIES

WEDNESDAY, APRIL 12, 1972

U.S. SENATE,
COMMITTEE ON COMMERCE,
SUBCOMMITTEE ON AVIATION,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m. in room 5110, New Senate Office Building, Hon. Howard W. Cannon (chairman) presiding.

Present: Senators Cannon, Spong, and Stevens.

Senator CANNON. First we will hear from Senator Spong.

STATEMENT OF HON. WILLIAM B. SPONG, JR., U.S. SENATOR FROM VIRGINIA

Senator SPONG. Mr. Chairman, I am pleased that the subcommittee is conducting this series of hearings into the adequacy of air service to small communities for I am concerned that unless measures are taken soon to prevent it local air service may go the way of railroad passenger trains.

For some communities, including some in my own State of Virginia, that is already the case. Even while we discuss the problem here today, the one air carrier providing service to New River Valley Airport in southwest Virginia is shutting down its operations and, like the railroads before it, moving on to bigger and more profitable things.

There is small comfort for the residents of that area in the Civil Aeronautics Board's observation that service still will be available out of neighboring Roanoke. As the dissenting member of the Board in that case noted this would involve a trip of some 70 to 80 miles, one-way, for many residents, some of whom would be dependent upon bus service. The alternative of rail service, which once was available to the community, was lost with the establishment of Amtrak.

Beyond the question of convenience for the residents of the Pulaski area is the impact this abandonment will have on economic development and growth in the region. In many ways, the existence of commercial air service was the key to opening up that area to new industry, so much so that eight of the surrounding jurisdictions pooled their resources to undertake a major upgrading of the airport facilities.

A total of \$1,600,000—\$675,000 of which was locally raised and an additional \$208,000 contributed by the State—was spent in improving runways and constructing hangars, maintenance shops and a new administration building, all of which was designed to facilitate air

carrier operations. In addition, something over a million dollars was devoted to construction and improvement of access roads into the airport.

Despite all of this and despite the importance many new industries in the area attached to having air connections within 30 miles of their location, the CAB authorized abandonment of the service. Much was made in the decision of the financial hardship on the air carriers of continuing the route. Virtually no weight was given to the economic hardship on the communities of permitting its abandonment.

One of the contributing factors to the lack of patronage on the route appears to have been the air carriers own scheduling practices and its general level of service. That was a pattern encountered in the demise of railroad passenger service in this country. Service is allowed to deteriorate to the point where patronage is sharply affected, the decline in business is used as the reason for cutting back schedules even further, and finally the basis on which permission to abandon the route altogether is sought.

I recognize that the airlines are in business to make money, but I would also note that they are among the most heavily subsidized industries around. Surely there is room for greater consideration of the general public interest in these abandonment decisions.

The small cities and towns are already the forgotten communities of this country. But if we sit back and allow them to be jettisoned by the air carriers, we will have sealed them off from any hope of development and deprived our crowded urban areas of the tremendous resources such regions as southwest Virginia have to offer.

So, I hope that out of these hearings will come some concrete programs to forestall further loss of service and to restore service where it has already been lost.

Mr. Chairman, I would like to have made part of the transcript of this hearing a number of documents which explain in detail the circumstances involved in the New River Valley Airport case to which I referred in my statement.

(The information follows:)

EVIDENCE OF THE NEW RIVER VALLEY AIRPORT COMMISSION TO BE PRESENTED TO THE CIVIL AERONAUTICS BOARD IN THE ABOVE MATTER ON SEPTEMBER 14 AND 15, 1971

Mr. C. V. Jackson is the President of the New River Valley Airport Commission. He has been the President since the Commission was formed in 1957 and is President today. Mr. Jackson is Chairman of the Virginia Advisory Committee on Aviation and has served for seven years on this Committee. Mr. Jackson is the former Mayor of the Town of Pulaski and retired General Agent and Yard Master of the Norfolk and Western Railway Company. He will testify on behalf of the New River Valley Airport Commission and will adopt as his direct testimony, the following:

C. V. Jackson, Pulaski, Va.

ORGANIZATION

In 1957, realizing the vital importance and need of an Airport in the New River Valley Area, the New River Airport Commission (NRVAC) was organized by eight (8) political subdivisions as follows: Giles County, Montgomery County and Pulaski County, the towns of Christiansburg, Dublin, Pearisburg, Pulaski and the City of Radford.

LOCATION

New River Valley Airport is located in Pulaski County, Virginia, two miles north of the Town of Dublin; latitude 37° 8' 15" and longitude of 80° 30' 45"; 8 miles northeast of the Town of Pulaski; six miles west of the City of Radford; 20 miles north of the Town of Pearisburg (Giles County); 17 miles west of Christiansburg (Montgomery County); 30 miles east of Wytheville. (Wythe County).

The location of the New River Valley Airport was approved by the Civil Aeronautics Administration on March 1, 1957 (now the Federal Aviation Administration).

The air site is at the intersection of Federal Color Airways Red 34 and Green 5 and also at the Victor Airways V-45, V-16, V-136 and V-261. Due to the location of the New River Valley Airport, the establishment of new routes would not be involved. Also many airlines already have flights over the New River Valley Airport.

Piedmont inaugurated service to New River Valley Airport on June 25, 1962. Enplaned passengers grew steadily to 500 per month. The New River Valley Airport Commission anticipated a steady growth to a minimum of 1,200 enplaned passengers per month. It is believed, with proper scheduling, that this goal can be reached.

FIXED BASED OPERATOR

From the beginning, the Commission has employed an Airport Manager and Fixed Based Operator. Except for several months between the resignation of the original Airport Manager and the employment of the second, the airport has always had a Fixed Based Operator who was a qualified pilot and instructor. During the past year Mr. Jack Dotson, the present Manager-Fixed Based Operator, has also taught classes at the New River Valley Community College.

DESCRIPTION OF FACILITIES

New River Valley Airport now has a runway 6,200 feet in length, 150 feet in width with taxiways, apron, hangars and other facilities. The runway and airport is capable of handling all aircraft used by Piedmont except the 737. It is not true as alleged by Piedmont that the Airport is marginal for the use of YS 11 aircraft. Piedmont never questioned the runway strength until this proceeding.

WEATHER CONDITIONS

Prevailing winds 93.4 per cent.

The Airport would be closed not over 3 to 5 per cent.

The minimum operational ceiling would be 300 feet.

Clear zones to the northeast—28 miles. Clear zones to the southwest—14 miles.

ZONING

The Board of Supervisors of the County of Pulaski, Virginia, prior to the construction of the Airport passed a zoning ordinance that is strictly in compliance with the recommendations of the Federal Aviation Administration (then the Civil Aeronautics Administration).

CONSTRUCTION COST

Since February, 1957, with the cooperation of the State Corporation Commission of Virginia, Division of Aeronautics, and the Federal Aviation Administration sums have been spent for the construction of the New River Valley Airport as follows: (Answer Ex. 1)

Federal funds.....	\$768, 218. 23
State funds.....	208, 240. 00
Local funds.....	675, 734. 12
Total	1, 652, 192. 35

On Page 4 of the Answer filed by New River Valley Airport Commission, it is shown that at the time the State Highway Department had spent a total sum of \$1,093,189.50 on access road and highway improvement which would aid the

New River Valley Airport. For the fiscal year 1970-71 \$400,000.00 had been allocated and for the year 1971-72 \$450,000.00 has been allocated, and it is anticipated that these contracts will be let in the near future.

The growth and use of airport premises was so great that in April, 1964, a new Shop Hangar Building was constructed at a cost of \$18,254.96.

When the original Administration Building was constructed the space for freight and express was built according to Piedmont's anticipated demands. By 1968, the freight and express had so far exceeded Piedmont's demands that at the request of Piedmont the Building was enlarged, completed February 27, 1968, at a cost of \$3,092.77.

After it became apparent that Piedmont would soon be using the Boeing 737 but would rely heavily upon the FH 27 and YS 11 NRV in April, 1967, filed a Request for Aid with the Federal Aviation Agency for an extension of the runway from 5,200 feet to 6,200 feet in length and from 100 feet in width to 150 feet and also to strengthen the runway in order to handle any planes to be used by Piedmont. Local funds were placed in escrow for this work in the sum of \$347,261.50. State funds of an equal amount were assured making a total of Federal, State and Local funds in the amount of \$1,389,046.00. On May 1, 1967, at a conference with FAA officials in Washington, NRV officials were assured that the project would be approved.

Land was then acquired, with FAA approval in the sum of \$56,960.00 for the extension. The construction was planned to handle all planes operated by Piedmont, including the Boeing 737. However, the FAA required a revision which eliminated the use of the 737 but would take all other planes flown by Piedmont. The job was then completed at a cost of \$648,224.70.

A top official of Piedmont stated that Piedmont "would never use the 737 at NRV."

The New River Valley Airport Commission further plans by the end of 1971 or early 1972 to install an ILS System.

POPULATION

The population set forth in the New River Valley Airport Answer were the preliminary census figures for 1970 (Answer Page 8). The final census population figures for the area served is as follows:

	1960	1970
Giles County.....	17, 217	16, 740
Montgomery County.....	32, 923	47, 157
Pulaski County.....	27, 258	29, 564
City of Radford.....	9, 371	11, 596
City of Galax.....	5, 254	6, 278
Wythe County.....	21, 975	22, 139
Carroll County.....	22, 746	23, 092
Total.....	156, 744	156, 566

PROMOTIONAL ACTIVITIES

During the period when the Airport Program was in its initial development much promotional work was done through speeches and contacts made by members of the Airport Commission and other civic minded people before Chambers of Commerce, Civic Clubs, and other organizations calling attention to the value of an airport to an area from the standpoint of attracting new industry and serving the present industry also convenience of travel by business people and individual citizens. This activity continued through the construction stages also after air carrier service was started at the New River Valley Airport on June 25, 1962.

Since June, 1962, when Piedmont service was inaugurated, the Airport Commission has had a program of speaking before Civic Groups in the area promoting Piedmont and the Airport. For the first few years, Piedmont cooperated in this effort by having representatives calling upon airline users, but for the past few years, Piedmont has not cooperated in this effort and the efforts of the Commission have been met with indignation by airline users due to the very poor scheduling.

Representatives of the Airport Commission, the New River Valley Industrial Commission, and the State Corporation Commission of Virginia flew to Winston-Salem for a meeting with the President and other officials of Piedmont about the poor scheduling. We were greeted pleasantly, shown a new office building and shortly thereafter received an even worse schedule.

For Example.—Three representatives of the Airport Commission were due to appear in Washington D.C. on June 3, 1971. Piedmont had no morning schedule from New River Valley that would permit getting to Washington for a 10:00 a.m. appointment. This meant the extra expense of spending the night of June 2 in Washington. In seeking a return flight, the only departure time from Washington, D.C. to New River Valley Airport was at 6:45 a.m. Due to this "no schedule" the representatives of the New River Valley Airport Commission got to and from Washington by other means of transportation.

Other witnesses have testified as to the growth since the filing of the Answer dated August 15, 1970, and the potential growth within the near future and it would be repetitious for me to repeat same. However, I do wish to point out that within the next two years the three counties and the City of Radford either have spent or will spend approximately \$30 Million Dollars for the construction of new school facilities.

I wish to incorporate by reference as part of my testimony Exhibits one through six, included, filed with the Answer of the NRVAC dated August 15, 1970. In my opinion, New River Valley area deserves and shows its qualifications for commercial airline service and the area could not suffer a more severe blow than to let Piedmont delete service at the New River Valley Airport.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

Mr. Glenn R. Whitmer, Vice President of the First and Merchant National Bank of Radford, Radford, Virginia. Mr. Whitmer will testify in chief as follows:

Glenn R. Whitmer, Radford, Va.

The unusual growth in New River Valley area is clearly demonstrated by the growth in the Bank Assets from December 30, 1962 through December 30, 1969. I, also wish to show the growth between December 30, 1969, and December 30, 1970:

Bank assets	Dec. 30, 1962	Dec. 30, 1969	Dec. 30, 1970
Pulaski County.....	\$19,339,628	\$37,782,552	\$49,023,000
Giles County.....	10,424,000	18,777,357	19,768,698
Montgomery County.....	19,382,000	49,767,547	58,496,901
City of Radford.....	15,315,596	38,356,999	40,971,980
Total.....	64,461,224	144,684,155	168,262,579

This is actual local growth and does not include the merger of local banks such as Virginia National Exchange Bank of Virginia with assets of \$520,607,229.00 and Virginia National Bank with assets of \$1,098,363,508.00.

Thus, during the period of Piedmont's operation at New River Valley Airport (1962-1970) the Bank Assets, in the area of the participating political subdivisions, have increased 261 per cent.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

Mr. Claud K. Kirkland, Division Manager Appalachian Power Company, Pulaski Division, will testify on behalf of the New River Valley Airport Commission and will adopt as his direct testimony, the following:

Claud K. Kirkland, Pulaski, Va.

The electrical growth for the counties of Giles, Pulaski, Carroll, Montgomery, Wythe, Grayson, Bland and Floyd and the city of Radford are as follows: 1968, 1,046,395,000 kw. hrs.; 1969, 1,077,124,000 kw. hrs.; 1970, 1,120,963,000 kw. hrs.

I shall expect continued growth and I expect the same amount that has been experienced for the last three years and certainly hopefully more. It has been announced that Pulaski Furniture plans a new 540,000 square feet, \$8,000,000 plant at Dublin and the Long Airdox Division of the Marmon Group is building a \$1,000,000 plant at Dublin to manufacture mining conveyor equipment and that Federal Mogul has built and has in operation a large plant in Montgomery County that will be the only plant in the world that will manufacture exclusively aluminum insulated bearings for automobile engines. This means that this type of bearing, being somewhat less expensive, will have a tremendous market in the automobile industry. Five hundred people would be working there practically all the time.

Another plant, Harvey Hubble, has purchased a plant in Christiansburg. They are going to be a commercial lighting fixture plant. They will be doubled in size. Their size is now 50,000 square feet.

So far as an airport facility serving this area from an industrial standpoint, I believe it would be quite disastrous if we lost the airport. It is true that some air freight and passenger service has been lost due to scheduling that has not been the best. I think that if we could be assured that we would have a reasonably dependable schedule that we could rely on that there could be more freight service and possibly more passenger service. Freight service determines passenger service. If we had better schedules for freight service, it would result in more passenger service.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

Mr. Charles H. Boone, District Manager, Chesapeake and Potomac Telephone Company, Radford, Virginia. He will testify as follows:

Charles H. Boone, Radford, Va.

I have heretofore given the sum expended by the Chesapeake and Potomac Telephone Company of Virginia in the counties of Giles, Montgomery, Pulaski and the city of Radford between the years of 1964 and 1970. My estimates relate directly to this growth in the area of which the New River Valley Airport has been a contributing factor. Since the figures given in 1970, the Chesapeake and Potomac Telephone Company is establishing a new records office in Blacksburg, Virginia at an overall cost of \$450,000. The total expenditures would, therefore, be as follows:

Radford: Two building additions, 1964 and 1969, total cost, including equipment, approximately-----	\$950, 000. 00
Christiansburg: Two building additions, 1965 and 1970, total cost, including equipment, approximately-----	400, 000. 00
Blacksburg: New Central Office 1965: addition completed 1970, total cost, including equipment, approximately-----	1, 650, 000. 00
Pulaski: New central office 1968, total cost, including equipment-----	1, 400, 000. 00
Dublin: Renovation and expansion of rented central office quarters, 1970, total cost, including equipment, approximately-----	200, 000. 00
Pearisburg: New central office, 1967, total cost, including equipment, approximately-----	400, 000. 00
Narrows (Town in Giles County): Building addition, 1964, total cost, including equipment-----	75, 000. 00
Blacksburg: 1971 New records office-----	450, 000. 00
Total -----	5, 525, 000. 00

Respectfully submitted,

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

Mr. T. J. Coleman, Plant Manager of the Lynchburg Foundry Company, Division of Woodward Company, a Division of the Mead Corporation, Radford, Virginia. Mr. Coleman will testify in chief as follows:

T. J. Coleman, Radford, Va.

We built an additional new plant in 1966 and the dollar value of the investment was \$6,000,000.00. Since 1962 we have had about \$12 million new investment in the Radford Plant. Our employment has about doubled. We now have 1,300 employed at our plant.

We will soon spend \$360,000.00 to further control air pollution.

The change in the scheduling at New River Valley Airport has caused us to have to use the airport at Roanoke. We use Roanoke because we don't know whether or not we will be able to get back to New River Valley Airport at a reasonable time. We also have visitors who come to our plant but they, too, find it more convenient to use the Roanoke Airport because of the poor scheduling.

Respectfully submitted,

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

Mr. B. C. Wampler, President and Chief Executive Officer of the Pulaski Furniture Corporation. Mr. Wampler will testify in chief as follows:

B. C. Wampler, Pulaski, Va.

The New River Valley Airport is of no importance to us because of the poor scheduling. We can't possibly use the airport because of this scheduling. I, personally, make an average of about six to eight trips a month by air and I never use it. I just can't and the reason is because of the bad schedules. I either use the airports at Roanoke or Greensboro. I would like to use the airport if at all possible but I can't because of the impossible schedules they have.

We bring our salesmen into the Pulaski Plant at various times during the year and they can't come into New River Valley Airport because of the long delays they will encounter.

We have a great many items coming in by air freight. If we are in a great hurry for them, we have them stopped in Roanoke and pick them up. If we are not in a hurry for them, we let them come on into the New River Valley Airport.

If they had a good reasonable schedule, we would use the Airport. It would be beneficial for our Company because we now have an expansion program started of 550,000 square feet. This will employ 800 new people within the year. The investment value of this expansion will be Eleven and One-Half Million Dollars.

There is always something that we send or obtain by air freight and we would like to have them coming into New River Valley Airport for convenience and speed but unless they give us new time schedules, we can't use it. Prior to the scheduling changes, we used the Airport a great deal.

These scheduling changes have been an added increase of expense to the Company because we have to provide transportation for our personnel and for these items to Pulaski from Roanoke or Greensboro and Tri-City.

Respectfully submitted,

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

Mr. C. E. Richardson, Chairman of the Board of Pulaski Furniture Corporation, Pulaski, Virginia, a resident of Pulaski for 50 years, Charter member of Pulaski Rotary Club, active in Chamber of Commerce both local and state, Vice President of Southern Furniture Manufacture's Association, one of the organizers of New River Valley Industrial Commission, Director from the beginning to the present, also owns and operates a large dairy and cattle farm in Pulaski County. Mr. Richardson will testify in chief as follows:

C. E. Richardson, Pulaski, Va.

At the end of the fiscal year 1970, Pulaski Furniture Corporation had gross sales of \$16,749,470.78. The Corporation now has 902 production employees which does not include salesmen and office personnel.

The Corporation has broken ground on an approximately \$8,000,000.00, 540,000 square feet plant at Dublin, Virginia within 3 miles of the New River Airport. This new represent a total new investment of \$11,500,000.00. This will double the production of the Corporation and should add about 800 new production employees with a corresponding increase in other personnel.

The New River Valley Airport is vital to this Corporation's operation, as well as other companies in this area. Equipment and parts for production and manufacturing can be flown in when there is not enough time to bring them in by other means of transportation. It is an essential means of transportation in cases of emergency. It takes care of all emergencies. For example: If we can't get our hardware by other means of transportation and we can't bring them here by air and we have to go to Roanoke to pick up the hardware, we have to hold up production.

The change in schedules has placed a hardship on the New River Valley Airport operation. Salesmen now go to Roanoke, Greensboro, and Tri-City. We have 50 salesmen all over the United States, Puerto Rico and Canada. Many representatives of other businesses come in on planes to visit our company. Buyers and visitors could use the airport if the schedules were better. We have men flying every week for our furniture markets. These markets are located in California, Dallas, Chicago, Atlanta, New York and Highpoint. We are now serving the better and bigger stores of the United States.

I have had 45 years experience in the management and operation of the veneering furniture business. It is my opinion that the area around Dublin is becoming the hub for the entire New River Valley area both industrial and otherwise because of its location and accessibility to the New River Valley Airport. Another reason for this is that we have good electricity, ample water, good roads, coal and natural gas.

I helped in bringing together the eight political subdivisions that went together to build the Airport. I have never known of any other area where eight subdivisions combined on an area community project of this size. We had letters of inquiry from all over the country on this project showing surprise that as many as eight (8) political subdivisions could agree on one project.

At the time Piedmont began serving New River Valley Airport it was anticipated that the passenger traffic would grow until it reached between 1,200 and 1,500 passengers a month and it has a steady growth until it reached 500 passengers and then they changed the scheduling. I believe the population will double in the next 10 years due to the schools such as: Dublin Community College, the new highschool we are building, Radford College, V. P. I. There is also an increasing development of recreation in the area such as: New River Dam and Claytor Lake which will increase the number of visitors to our area. There are also three more industries coming into the area almost immediately. I believe that the figures of 1,200 and 1,500 passengers a month would be a conservative estimate to be reached within a reasonable amount of time.

Before we had an airport, this is where all the planes crossed. Most of them cross this location now but due to the poor schedules it has ruined the business. If they had given service, we would have more than doubled the traffic from our plant.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, *Attorney.*

Mr. John R. Powers, Immediate Past President, New River Valley Industrial Commission and Member of Executive Committee, President of Pulaski Rotary Club, Past President of Virginia Food Dealers Association, Chairman of Pulaski Town Planning Committee, Chairman of Pulaski Planning Commission and member of Virginia Planning District Four of Virginia, Owns and Operates Four Food Markets. Mr. Powers will testify in chief as follows:

John R. Powers, Pulaski, Va.

After talking to industries coming into the area the Airport is one of the most important things that they talk about along with our educational facilities. All of them were delighted that we did have a major airline coming into the area. We find, though, that they are quite disturbed when they find that they can't get in or out of the New River Valley Airport because of the schedules. Mr. George Jones has had trouble and has yet to fly into Dublin and they are now building a plant in Dublin. Mr. Jones was distressed that many of the trips that he made, he had to come into Roanoke and rent a car to come into New River Valley.¹

Mr. Robert Davis from the Lane Penn Carver Company, who will soon locate here, has come into our area and he was delighted and then disturbed to the fact that he couldn't get in or out of the New River Valley Airport because of poor scheduling. We assured him that this would be helped in the future.

Recently we had four people from here and two from Wytheville and two from Galax to go to Chicago. We couldn't get out of New River Valley Airport and, therefore, we drove into Roanoke and they flew us over Pulaski but didn't stop. Coming back we had the same type of problem. We went to the counter trying to get a flight back to New River Valley Airport and they acted like they didn't know where New River Valley was. We were attending an IGA Food Dealers Convention.

Our offices are located in Richmond and many times we have to fly to Richmond. Recently my son went down there and it was impossible for him to get a flight from New River Valley Airport to Richmond because of the poor scheduling. If he did leave from New River Valley, it would mean that he would have to spend an extra day traveling.

We have had a tremendous year in the New River Valley area. We have had an Eleven and one-half Million Dollar expansion of Pulaski Furniture, the opening of our Community College, the opening of our new YMCA, Marmon Group is building a 252,000 square feet building to open before January or February and the Lane Penn Carver which is coming into our area.

Piedmont has not lived up to the agreements that they made in the beginning. This has been proved by the new schedules. Also when we tried to get money for an overlay, they said they would never fly the 737 into New River. They didn't say anything to this effect until we asked for the money.

As to the future of the New River Valley, I think we are just on the threshold. This is contributed to several factors: our new Community College, water, power and land. Plants are having pressure put on them to curb pollution so they are looking for a place to relocate. We are just beginning to scratch the surface on our pollution. Industries are looking for a place to go and we have such a place.

Mr. Hillsman has been the Executive Director of the Chamber of Commerce and he predicts that if we had fair scheduling that the boardings alone at New River Valley within several years would have been 1,500 per month. It is my opinion that this figure is underestimated. In my experiences in discussing this with local manufacturers this figure could be reached and we could go past this figure if we had reasonably good schedules.

We have an estimated cost of \$4,000,000 for our new hospital. We have also had a new general hospital at Christiansburg and one at Wytheville. With the natural growth that we are having, the Airport is becoming more essential. It is becoming more essential to our everyday way of life.

Respectfully submitted,

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, *Attorney.*

Mr. W. Ward Teel, former Mayor of the Town of Christiansburg; Treasurer of the New River Valley Industrial Commission, former President; Chairman of the Industrial Development Authority of Montgomery County, Virginia; member of the Industrial Committee of the Virginia State Chamber of Commerce; a leading cattle and dairy farmer; owner and manager of Teel Chevrolet Corporation; a Director of the Bank of Christiansburg, Christiansburg, Virginia. Mr. Teel has actively participated in negotiating with and securing new industries and the general development of the New River Valley area served by the New

¹ Mr. Jones is an official of the Long-Airdox Division, Marmon Group.

River Valley Airport and Montgomery County, Virginia. Mr. Teel will testify in chief as follows:

W. Ward Teel, Christiansburg, Va.

One of the first questions asked by any industry approached to locate in the area is: "Where is your airport, its size, and whether or not it is served by a commercial airline?" If Piedmont were permitted to withdraw from serving the New River Valley Airport, it would cripple the present industries and further growth. Never before in the history of Virginia, to my knowledge, have eight political subdivisions been drawn together and worked so wholesomely together to establish an airport which they knew was vitally needed for the industrial development of the entire area. It would now be disgraceful after so much time, effort, and money has gone into this facility with the results shown and proven to permit Piedmont to snuff out or close out such an effort. From the beginning of Piedmont's service there was a steady growth of enplaning passengers to approximately five hundred per month and a much greater growth was to be expected. In 1969, the airport was closed for improvements and after reopening, Piedmont's schedules were changed so drastically from prior schedules that it became apparent that they were discouraging commercial use at the New River Valley Airport.

Montgomery County, Virginia, within recent years has experienced and continues to enjoy a remarkable economic growth. This is graphically evidenced by the fact that two of the ten largest new plants and plant expansions announced for Virginia for the first nine months of 1970 have been located in the County. One of these, Federal-Mogul Corporation, a manufacturer of bimetal aluminum engine bearings, has already constructed its plant at a cost of approximately eight million dollars and has become operational. Officials for the company report that they expect to achieve at a rapid pace an employment level of five hundred persons and that this may increase to around eight hundred.

Harvey Hubbell Incorporated, an old line New England corporation, has located at Christiansburg and initial reports indicate an employment level of three hundred persons with an expected increase of two hundred. The company purchased a new fifty thousand square foot facility and all indications are that this will be expanded multifold. Outdoor and other lighting fixtures and components will be manufactured.

Within the last decade the Christiansburg Garment Company, which located at Christiansburg in approximately 1959 with an expected employment level of around two hundred and fifty, has continued to expand its facilities and at the present time employs over five hundred and fifty persons.

Warren Furniture, Inc. which is located in Christiansburg within the last ten years has recently merged with Weiman Co., Inc., a nationally known giant in the furniture industry, has an employment level of approximately one hundred persons and is now in the process of expanding its facilities.

Montgomery Furniture Company, which constructed a new plant in 1962, has an employment level of 130 persons and is currently expanding its facilities for the second time and has indicated that still another construction program will be undertaken with an increase in personnel involved to the extent of over three hundred persons.

Corning Glass Works, which is also located in the County within the past ten years, has a current employment level of three hundred and twenty-five persons. This represents a multi-million dollar investment.

The rapid growth of the County has placed a demand upon the public facilities and service industries. To meet these needs, numerous projects have been undertaken. A sparkling new 100-bed hospital will open in August, 1971. A County government has recently created a Public Service Authority responsible for waste disposal and water service. Two new landfill sites have been acquired. Three water companies under the auspices of the County government have been formed, financed and are soon to become operational. Still another water system has been constructed and is presently operational. Various sewage disposal systems are underway with one in the Shawsville area expected to cost in the neighborhood of one-half million dollars. The County has undertaken a school expansion project at a cost of approximately \$15 million. Virginia Polytechnic Institute with a present enrollment of approximately twelve thousand students expects an enrollment of twenty-one thousand by 1980. A new Circuit Courthouse and Administrative Office Complex is in the planning stages

at the present time for which lands have already been acquired by the County. The present population of the County, exclusive of the City of Radford, is officially pegged at forty-seven thousand with many sources of the opinion that the same exceeds fifty thousand.

Relating the amazing growth of the County to the influence thereon attributable to the New River Valley Airport would, of course, be difficult. However, it is elementary that all modes of transportation are critically essential to the development of any area and it, therefore, goes without precise statistical data that the airport facility has contributed to the economic base and growth of not only Montgomery County but all of its environs.

It is incontrovertible that Piedmont's scheduling has caused a decrease in business at New River Valley Airport and worked a retarding hardship upon area development.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, *Attorney.*

Mr. Lynn A. Davis, General Sales Manager, Inland Motor Company, a subsidiary of Kollmorgen Corporation. Mr. Davis will testify in chief as follows:

Lynn A. Davis, Radford, Va.

The investment in plant facilities since 1962 of Inland Motor Company has been One and One-Half Million Dollars. There has been an increase in employment of 250 since 1962. The Company has two plants in Radford employing at total of 375 persons.

The value of shipments via air is of great importance to us since our product is not large and not bulky. During one six months period the value of our air shipments was \$1,500,000.00.

We have people from our plant flying almost every day of the week but they must fly from Roanoke because of the poor scheduling at New River Valley Airport.

It is necessary in the operation of our business to have a general sales force of approximately ten persons at all times flying throughout the United States; we also have many visiting officials who travel exclusively by air to and from the Radford, Virginia plants. The earliest scheduled flight out of the New River Valley Airport, Dublin, Virginia, is 8:49 A.M., and this schedule does not permit for the necessary schedule for major connecting flights either on Piedmont or other airlines. It is, therefore, necessary that my company go to the extra expense of transporting persons to Roanoke, Virginia, and to go the expense of meeting incoming passengers at Roanoke, Virginia. This causes additional expense to Inland Motor Company, is time consuming and causes considerable inconvenience to personnel. It also means that Inland Motor Company, for all practical purposes, employ and operate its own surface transportation shuttle service between Radford and the Roanoke, Virginia airport.

In addition to the passenger service, Inland Motor Company ships considerable freight and express through the New River Valley Airport, Dublin, Virginia, but due to the very poor scheduling emergency shipments by air express must be shipped through Roanoke, Virginia. Again, this adds an extra burden to Inland Motor Company which is costly and expensive.

When Inland Motor Company was considering establishing a plant in the City of Radford, Virginia, it took into consideration the fact that the New River Valley Airport would soon have commercial airline service. Thereafter, in 1966 when Inland Motor Company acquired and established an additional plant in the City of Radford, Virginia, it took into consideration the availability of commercial airline service at the New River Valley Airport, Dublin, Virginia.

Further, due to the unfortunate and very poor scheduling into the point Blacksburg-Radford-Pulaski at the New River Valley Airport, Dublin, Virginia, it is most inconvenient to route incoming passengers to the New River Valley Airport. As a result most incoming passengers have scheduling to Roanoke, Virginia.

This airport was vitally needed for passenger service, air mail express and freight for the development and orderly progress of our business. It is also vitally needed for the entire New River Valley area which is growing and

progressing. Provided a decent schedule is arranged at the New River Valley Inland Motor Company alone would provide at least 60 more passengers per month.
Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, *Attorney.*

Mr. T. G. Wampler, Secretary and Director of Purchases, Pulaski Furniture Corporation, Pulaski, Virginia. Mr. Wampler will testify in chief as follows:

T. G. Wampler, Pulaski, Va.

This is to certify that as Director of Purchases and Secretary of the Pulaski Furniture Corporation, Pulaski, Virginia, and in such capacity, from time to time, have need of air freight shipments into and from our plant. In the past several months, it has been necessary to schedule some air freight shipments into Roanoke Airport to be picked up there by our truck due to the poor scheduling of Piedmont flights into New River Airport. This creates a hardship and additional expense on the company since Roanoke is approximately 58 miles away and Dublin is only 11 miles. This is not only an additional 94 miles of travel, but can be important to our operation from a time-delivery standpoint. Most air freight items are items that the plant needs in a hurry and any additional time element involved creates a hazard on our part.

We, here at Pulaski Furniture Corporation, feel the necessity of the New River Valley operation from many standpoints and would strongly urge the continuance of the Piedmont service into this airport. However, we would strongly suggest that convenience of scheduling of proper flights into and away from NRV be properly reviewed so as to consider the convenience of the population in this area.

We would also strongly suggest that something be done about the poor telephone service at NRV since many times, the phone would ring many times before being answered, and on several occasions had to call back several times before the telephone was even answered.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, *Attorney.*

Mr. F. R. Vass, Jr., General Sales Manager, Pulaski Furniture Corporation, Pulaski, Virginia will testify on behalf of the New River Valley Airport Commission and will adopt as his direct testimony, the following:

Frank R. Vass, Jr., Pulaski, Va.

As General Sales Manager of Pulaski Furniture Corporation, it is my job to interview and contact our sales representatives from all parts of the United States. It is necessary that I be familiar with flights of these representatives and of parties doing business with Pulaski Furniture Corporation. Representatives of my corporation used the New River Valley Airport regularly until the flights were rescheduled. Then it became necessary for them to either fly into or out of Roanoke, Greensboro, or Tri-City. This has increased the costs of the company's operations because we must transport these men to and from the various airports depending upon their schedules.

If they could fly direct to New River Valley Airport, it would certainly be less time consuming and cut expenses to transport these persons out of Roanoke, Greensboro and Tri-City.

The Corporation has broken ground for a new 500,000 square feet manufacturing plant approximately three miles from New River Valley Airport, at a cost of approximately \$8,000,000. The need, therefore, for New River Valley Airport with commercial airline service will be even more vital to this corporation and it would be a serious blow if Piedmont were to withdraw.

If there was a satisfactory schedule into New River Valley, my company would use the passenger and freight service more extensively.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, *Attorney.*

Mr. Joe B. Shumate, Sr., Chairman of the Board, Coleman Furniture Corporation. Mr. Shumate will testify in chief as follows:

J. B. Shumate, Sr., Pulaski, Va.

Whereas Piedmont Airlines prior to the closing of the Airport for improvements had a schedule that my company could use and did use to great advantage and our company had personnel traveling from the New River Valley Airport practically all the time. The Commission recently spent considerable money widening and lengthening the runway in order to accommodate Piedmont planes and now has an excellent runway.

When Piedmont resumed their service to New River Valley Airport it had been curtailed to the point there was no way to go and I understand that they are complaining due to the fact that traveling has dropped off. Anyone can see that it would drop off as they offer no service. This area needs an airport, they have the facilities and there is no reason why that Piedmont could not give better service. We now have to send for customers and arrange for cars to pick them up in Roanoke. If they had good service like they used to we would use New River Valley Airport. We would save a lot of time if we could make connections at New River Valley Airport. We have salesmen and representatives in all 50 states, Canada, Puerto Rico, and Mexico and some in South America. We have these representatives or customers flying in practically all the time. Then, too, when our men fly they are on our expense account from the time they leave this office until they get back and we have to travel to Roanoke or Greensboro in order to save time.

[The estimate value in dollars of our plant would be \$12,000,000 and we have 1,100 employees.

Last but not least, we have a considerable amount of freight which becomes a necessity quite often that we have it shipped air freight. We have to send to Roanoke to get small supplies that we need because we can't get them into this airport. If we had better schedules we would use New River Valley Airport to get these supplies. I believe that Piedmont records will show that the largest shipment that has ever been received at New River Valley Airport was shipped to Coleman Furniture Corporation.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

Mr. Glenn Shanks, Employee of Piedmont Airlines, Circle Drive, Dublin, Virginia. Since March 1963, Mr. Shanks has been in charge of the Piedmont Air Freight Service. Mr. Shanks will be called by NRVA as an adverse witness to show evidence as follows:

Mr. Glenn Shanks, Dublin, Va.

On or about March 15, 1963, Mr. Shanks was permitted by Piedmont to undertake the promotion and development of the air freight service in the New River Valley Area. At that time Mr. Shanks started this business with an old Volkswagen bus. He has developed the air freight service to the point where he now has four trucks in operation. Council for NRVA has been advised that Mr. Shanks has done an outstanding job and that he has in his possession figures and charts showing the development of this business from March, 1963 to date.

FREIGHT AND SCHEDULE CHANGE

Mr. Shanks, primarily through his own efforts, developed an outstanding freight service business in Montgomery County, Virginia. This air freight was being handled through the NRV Airport. Then, Piedmont changed the schedule whereby shippers could not get overnight or proper air freight service. Then Piedmont forced or required Mr. Shanks to give up the Montgomery County business and Piedmont "graciously" turned this business over to a third party requiring this freight business to be handled through Roanoke, further hurting the New River Valley Airport.

New River Valley Airport will request the Civil Aeronautics Board to require Piedmont to have Mr. Shanks available as a witness with the charts and figures on the development of this business.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, *Attorney.*

Mr. John S. Higgins, Plant Manager, Celanese Fibers Company, Celco Plant, Giles County, Virginia. Mr. Higgins will testify in chief as follows:

John S. Higgins, Pearisburg, Va.

It has been brought to my attention that consideration is being given to the elimination of Piedmont Airline air service to the New River Valley Airport. I wish to take this opportunity to strongly oppose this proposal.

The level of service provided by an airline at a terminal such as New River Valley is a function of the level of passenger boardings at that airport. As a major employer in the area, the Celco plant has a community responsibility to support the terminal as much as is practically possible. An inherent problem in our level of support is the non-availability of direct service from New River Valley to Charlotte, N.C. This need has been discussed with Piedmont representatives on prior occasions with little apparent results. Piedmont should be challenged to provide usable schedules rather than discontinue service.

Efforts currently being made by the New River Valley Industrial Development Commission could seriously be hampered by the loss of the area's only commercial flight service. There is also the long term likelihood that the very existence of the New River Valley Airport could be jeopardized.

It is my understanding that current plans call for the installation in late 1971 or early 1972 of an instrument landing system at New River Valley. This will substantially reduce the percent of fly-overs at New River Valley and perhaps of more importance, equipped with such a system, New River Valley would then become a prime alternate for Roanoke when that airport is closed. This should increase the level of existing passenger boardings at New River Valley.

Celco is the largest employer in Giles County and one of the largest in the state of Virginia. A viable flight schedule and a schedule that will expedite freight handling are most important for the success of the Celco operation and will most adequately accommodate parties having business relations with Celco is vital. To permit Piedmont to delete service at the New River Valley Airport would seriously retard the growth of the New River Valley area.

In summary, I strongly urge a marshalling of a community posture against the curtailment of Piedmont air service and to demand more usable schedules.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, *Attorney.*

Mr. David C. Stevens of Radford, Virginia, is now and has been Secretary of Grafo Rubber Company, Inc., Radford, Virginia, manufacturers of synthetic rubber. He is a graduate of Virginia Polytechnic Institute and is also Controller of the Corporation and purchasing agent and is responsible for making travel reservations, Mr. Stevens will testify in chief as follows:

David C. Stevens, Radford, Va.

Grafo makes freight and express shipments through New River Valley Airport and has done so since the Airport was open. It will work a serious hardship on Grafo Rubber Company, Inc. for service at New River Valley Airport to be suspended. Until Piedmont changed its schedule, Grafo used the New River Valley Airport for all passenger services. Now it is virtually impossible for our sales personnel to either enplane or deplane at the New River Valley Airport. The schedule makes it most difficult for personnel or business associates visiting our plant to arrive at a decent hour. Thus, our passenger service is routed through Woodrum Field at Roanoke, Virginia. This is costly and inconvenient. It also

means that Grafo must operate a shuttle service between Radford and Woodrum Field.

Parking at New River Valley Airport is free whereas at Woodrum Field Airport it means an added expense and some visiting personnel are required to either employ a taxi or use a rental car. These things make business very inconvenient. In the early years, Piedmont had representatives call on the Corporation seeking to produce business but for the past few years no one from Piedmont has solicited any business. It seems to the officials of this Corporation as well as other parties with whom the matter has been discussed that Piedmont is now being very unfair in seeking to withdraw services from New River Valley Airport. This Corporation was assured of commercial airline service at New River Valley Airport and was a major contributing factor in the expansion of the plant in 1968.

Grafo Rubber Company, Inc., strongly objects to Piedmont trying to withdraw services. It is well known that the service at New River Valley Airport was having a steady growth until Piedmont changed the schedules making it virtually impossible to schedule flights in and out of New River Valley Airport.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, *Attorney.*

Mr. James M. Huffman, Plant Manager, Kimballton Plant, National Gypsum Company, Kimballton, Virginia (Giles County). Mr. Huffman will testify in chief as follows:

James M. Huffman, Giles County, Va.

When airline services at New River Valley Airport was adequate, this service was used regularly by both in-coming and out-going representatives of National Gypsum Company.

Airline service at New River Valley Airport has deteriorated so in recent years that National Gypsum Company now uses Woodrum Field, Roanoke, Virginia.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, *Attorney.*

Mr. Stephen C. Shelton, Executive Secretary, Franklin County, Virginia. Formerly Manager and Fixed Based Operator for New River Valley Airport, Pilot for U.S. Air Force, and holding Commercial Federal Aviation Pilot's Certificate with Instructor's Rating. Mr. Shelton will testify in chief as follows:

Stephen C. Shelton, Franklin County, Va.

I was advisor to the Airport Commission during planning, construction, and operating from 1957 to present time and have observed development of aviation in air, including commercial service by Piedmont Airlines.

After notice was served on the Airport Commission that Piedmont intended to withdraw, an attempt was made to contact as many industries as possible in New River Valley to determine what the reason could be for a reduction of Piedmont service usage after the addition of the 1,000 feet to the runway. It was determined that the complaints as listed:

1. "Whenever I call Piedmont Airlines at New River Valley Airport (NRVA) the phone is busy."
2. "Whenever I call Piedmont Airlines at NRVA they will not answer the phone."
3. "I cannot get satisfactory information concerning flights and connections, and on many occasions have been given routing that has proven unsatisfactory and unreasonable."
4. "Very seldom is there any service whereby I can depart from NRVA."
5. "If I leave NRVA on a Piedmont flight, I cannot get back to this airport where I have left my car."
6. "Service from Piedmont at NRVA has deteriorated so badly that I cannot waste the time trying to make a reservation so I call Roanoke direct."

7. "When you spend an hour or two trying to cooperate with the Airport Commission to use the NRVA, it cannot be considered good business to continue to lose this time by continued use."

8. "Until such time as Piedmont adequately furnishes connecting flights, it will continue to be a business loss just trying to make a reservation through NRVA."

With these complaints by users, it is very evident that the potential airline passengers have a legitimate gripe.

That Piedmont has not, as claims, promoted this Airport but on the other hand has done all possible to make it difficult for the business and professional people to use the NRVA.

We then look at the schedule as published August 1, 1970. There is no justification for such a poor schedule. The old Arkansas Traveler joke "Mister you just can't get there from here" is no longer a joke with us. It is a truism that stings. With a total of four flights (two east and two west) daily from NRV, convenient connections with flights to Richmond, Washington, New York, Cincinnati, Winston-Salem, Charlotte, Atlanta, and other points farther out are not in the best interest of our traveling businessmen.

The most needed flight from NRV is to Richmond to arrive early enough for a 10:00 A.M. meeting. The NRV scheduled flight to Richmond arrives Byrd Field at 10:43 A.M. and it will be 11:30 or later before a person can possibly arrive in downtown Richmond for a meeting. Flights from Roanoke to Richmond are adequate and make the local (NRV) passengers drive to Woodrum Field and pay extra to leave his car there while spending the day in Richmond, all of which causes the *public convenience* provided this passenger to be at least two times the cost of using NRVA.

Without listing the schedule, the same is true on trips to Washington and New York. The early flight to New York leaves 36 minutes before the NRV flight arrives in Roanoke. This Roanoke departure is one flight that many of our NRV passengers must board in spite of the extra cost. Likewise, there is no evening flight to connect; however, two such flights leave Roanoke at 5:15 and 9:06 P.M. These are used by NRV passengers.

It appears that Piedmont Airlines has been working towards a prearranged plan to discontinue service at NRV and every instance of good connecting flights have been eliminated.

Out of the 153,000 people served in NRV the number of airline passenger users is less than is at present generated at Roanoke because these people have not been contacted by any airline usage promoter as the residents of the Roanoke Valley have been contacted (advertising, airport airline service signs, public relations officer, etc.). A business and professional usage survey indicates that NRV is generating approximately 2,000 passengers per month at this time.

Over the period of eight years since Piedmont has been serving NRV, many new airline schedules have been made and also two flights have been dropped from the original service. To the best of my knowledge there has never been one single instance that Piedmont officials have taken the time or courtesy to discuss these changes with a NRV official prior to their institution. They cannot deny that we have been vitally interested because we have gone to them on many occasions to request that more convenient service be rendered to our people. They are operating under a Certificate of Public Convenience and Necessity. It is evident that this should read Certificate of Piedmont Convenience and Necessity since no permission has ever been granted by the State Corporation Commission for any change in schedule or elimination of service. All changes have been made with the utter disregard to the NRV residents. This in itself defeats the purpose of expanding airport usage to the less dense areas, thereby promoting economic development which was and is the prime concern of our Federal Government under the formation of this Second Eschelon of Air Carrier Service with the Local Service Carrier Airlines of which Piedmont Airlines is a part.

An attempt was made to survey specific instances updated to the present time showing the lack of interest on the part of industry of using the Airport. A card was prepared to determine airline usage asking for information in regard to complaints that we had received; whether or not the Piedmont employees were not answering the telephone, were leaving the telephone off the hook, were intentionally trying to promote traffic from Roanoke and information of reservations to be made for New River Valley Departure.

After contacting many of the larger companies, Inland Motors, Graflo Rubber Company, Burlington Mills, Kloppman Mills, Pulaski Furniture Corporation,

Colman Furniture Corporation, Virginia Maid Hosiery Mills, Celanese Corporation, Foote Mineral Company, Jefferson Mills, Corning Glass, Radford Army Ammunition Plant, Hercules, Inc. both at the Arsenal and in Pulaski, it was determined that during the construction of the extension and widening of the runway, the services of Piedmont Airlines was promoted by Piedmont for Roanoke usage and after the completion of this work Piedmont Airlines evidently intended to continue serving the local industries out of Roanoke instead of New River Valley Airport and a consensus of all industries interviewed was that the scheduling of the Airport after the completion of the extension and widening was a direct effort to make the flights inconvenient for boardings at New River Valley, thus, forcing the industries to continue using Roanoke instead of New River Valley. In all instances these companies stated that they would use the services available and that the convenience of scheduling and departure was made to them at Roanoke and against them at New River Valley.

These cards were requested to be filled out after every call to determine a sampling of why the loadings at New River Valley had dropped after the extension of the runway.

On many occasions I visited the Roanoke Airport to see if I could identify passengers using the service from Roanoke who were from New River Valley. During these visits, it was observed that many times the number of people whom I could identify as being New River Valley residents were using Roanoke instead of New River Valley and these people were traveling for business and pleasure and using Roanoke because of the reasons enumerated in this report.

As General Manager and Vice President of Dublin Research Animals and Flow Research Animals I was never able to ship all the animals I wanted due to the fact that there was a restriction of only six cartons per flight and there weren't enough flights available to handle shipments locally. This factor caused us to have to operate a truck two or three times a week to Roanoke and once a week to Washington. Air shipments maintain more ideal conditions for laboratory animals than any other type of transportation to keep the animals in top physical conditions for which they were so vitally needed.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

Mr. T. Jack Dotson, Vice President Dotson Aviation Corporation, Fixed Based Operator and Manager New River Valley Airport, Dublin, Virginia from September 1, 1967 to date. Pilot qualifications: Commercial Pilot and Commercial Pilot Instructor. Served 20 years in United States Air Force and then retired from Air Force. In addition to this I hold classes at the airport and I am serving as instructor of the Air Ground School at New River Valley Community College. Mr. Dotson will testify in chief as follows:

T. Jack Dotson, Dublin, Va.

Since my arrival in 1967 as Fixed Based Operator, I have observed Piedmont's operation daily. In 1967 the enplaned passengers were approximately 500 per month. Piedmont personnel were aware that we were enthusiastic about the work in promoting the Airport and promoting the growth in all phases of the business including passengers, freight and express. This enthusiasm and extreme courtesy to people in the area continued until the closing of the airport for repairs and enlargement of the runway from 5,200 feet to 6,200 feet and from a width of 100 feet to 150 feet.

When the Airport reopened Piedmont's service after the closing and the Piedmont strike in 1969, the entire approach and attitude of Piedmont changed. The personnel were negligent in answering the telephone and after Piedmont began making all reservations through Winston-Salem, North Carolina, Piedmont put into the New River Valley Office an unlisted telephone number and it became almost impossible for outsiders to reach the airport for business purposes. When a party would call Piedmont's New River Valley Airport number (703) 674-2561, they would automatically get Piedmont reservations in Winston-Salem, North Carolina. When the local number 674-2561 would ring, Piedmont personnel either refused to answer or delayed in answering. Many customers of Piedmont would call Dotson Aviation 674-5200 and ask me to contact Piedmont. Upon receiving

such calls, I have gone to Piedmont's Office and told them about the call and asked them to come to my office and talk to the caller which they have refused to do.

Since late 1969, the schedule has been drastically changed making it virtually impossible for many regular users to continue by the enplaning or deplaning at the New River Valley Airport.

These actions coupled with the poor scheduling have in my opinion resulted in the decrease of the enplaning and deplaning passengers.

Prior to the closing of the Airport, I have reports that they had six flights per day and upon reopening they came back with only four flights and the schedules have been changed.

As one who is involved in and interested in aviation, it is apparent to me that no effort has been made to promote the great probability of a successful Piedmont Operation at New River Valley Airport.

For Example: I have never seen anyone from the official standpoint into question why the decline in enplaned and deplaned passengers. It seems to me that such a sharp decline in enplaned and deplaned passenger number would alarm someone in the operations section to look into this matter and determine the cause unless they were determined to delete services at New River Valley Airport. To my knowledge no one has made such inquiries. It is evident that Piedmont has either worked toward this end or just simply allowed it to happen without any corrective action. I am keenly aware of the potential that is available here for as the records will indicate, many of the boardings in Roanoke are from our local area.

Further the air freight operation at New River Valley Airport is doing a thriving business and Piedmont is often unable to get on board all that is available. I contribute the success of the air freight business to the able management of Mr. Glenn Shanks, Piedmont local employee, who has done an outstanding job in this area.

If the same efforts were made toward passenger enplaned and deplaned at New River Valley Airport as are made in our air freight business, I am convinced that it could be nothing but successful and profitable.

I was informed that Mr. Shanks started developing the Piedmont Air Freight Service with an old Volkswagen bus several years before I took over as Fixed Based Operation. He has developed the business to where he now has four trucks operating on the air freight. Mr. Shanks had developed the air freight business to a high degree in Montgomery County. Piedmont changed the schedule where the Montgomery County customers could not get late or over night flights out of New River Valley Airport and Piedmont forced him to give up the business in Montgomery County, giving it to a third party to truck to Roanoke which further hurt the New River Valley Airport.

The New River Valley Airport Commission has had excellent cooperation from the Federal Aviation Administration, the Aeronautic Division of the State Corporation Commission of Virginia, and the Virginia Department of Highways. In keeping with the overall planning they will complete by 1971 or early 1972 an ILS System, and the Virginia State Department of Highways will spend at least \$850,000.00 improving access roads to the Airport (Route 100).

It is apparent that everyone connected with the New River Valley Airport has been doing all possible to have a successful commercial airport except Piedmont who would benefit from it most.

Respectfully submitted,

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

Mr. J. Frank Heslep, Jr., Chairman of the Board of Supervisors of Giles County, Virginia. Mr. Heslep has been active in business in Giles County for many years; has been a long time promoter of the airport; of the industrial developments of the New River Valley area. Mr. Heslep will testify in chief as follows:

J. Frank Heslep, Jr., Giles County, Va.

The petition of Piedmont Airlines to discontinue service at the New River Valley Airport at Dublin, Virginia is of much concern to us. When the construction of this airport was under consideration, we were told that it would be a

significant factor toward the growth of this area. Piedmont was an enthusiastic proponent of the construction.

Giles County has invested almost \$100,000.00 of money derived from local taxation in this project and, of course, other political subdivisions have invested even more.

According to the information I have been given Piedmont can give more satisfactory and courteous service. The loss of service will be a "stunning blow" to this area and in my opinion a "break of faith".

Respectfully submitted,

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

Mr. Joseph V. Gorman, Jr., Propellant Superintendent of the Hercules Powder Company, Radford Army Ammunition Plant, Radford, Virginia; President of the New River Valley Industrial Commission. Mr. Gorman will testify in chief as follows:

Joseph V. Gorman, Jr., Radford, Va.

On July 21, 1970 at approximately 9:20 p.m., I was standing in the lobby about four feet from the customer service desk in conversation with Mr. John N. Dalton, member of the House of Delegates representing Radford and Montgomery County, and Mr. C. E. Richardson of Pulaski. I was quite conscious of the continual ringing of the telephone in the Piedmont service area. I noticed two uniformed Piedmont employees scurrying around into the vicinity of the telephone; however, neither of these men made any attempt to answer the telephone. I asked the man at the customer service desk who was supposed to answer the telephone. He said, "I am busy", and continued to put information on a piece of paper. He stated to me, "I am too busy to talk to you." Also, "I will discuss this with you when I am through." I replied, "It will not be necessary to discuss this with me since I would not wait." The telephone was still ringing when I left.

Other witnesses have described organizations and development of the New River Valley Industrial Commission and described the growth in the area. My testimony would simply be accumulative of these witnesses. However, unless there is a drastic change in the attitude of Piedmont personnel towards the public and in the granting of reasonable schedules, Piedmont cannot expect its operation in the New River Valley to be successful.

Respectfully submitted,

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

Mr. E. D. Pierce, President of Pierce Insurance Agency, Inc. will testify in chief as follows:

Mr. E. D. Pierce, President

In June of 1968 I first became aware of the poor service offered by Piedmont Airlines at the New River Valley Airport. I was planning a trip to Nassau and called Dublin to make necessary reservations. I could get no satisfactory connections and it was suggested that I call Woodrum Airport.

In July of 1968 Attorney Allen Sowder and I had to go to New York City on Water Authority business. Again we were forced to go to Woodrum Airport for a flight.

In October 1969 I was planning to take three people from my office on a business trip to Richmond. I called Dublin and got no satisfaction and they again suggested that I call Roanoke for reservations.

In May of 1970 I was planning a business trip to Richmond, taking two people from my office. Due to my previous experience I thought it a waste of time and money to call Dublin, so I called Woodrum for reservations.

The same thing happened again on another trip to Richmond in June 1970.

Just yesterday I was asked to make arrangements for my wife and mother-in-law to take a flight to San Antonio, Texas. Again I did not bother to call Dublin. It is possible that I will have to send these ladies to the airport in a taxi. A local Taxicab Company informs me that the fare from Christiansburg to Woodrum is \$12, and to the New River Valley it is \$9.

Obviously I would have much preferred to use the airport at Dublin in the above mentioned instances. I sincerely hope that Piedmont will not only continue servicing New River Valley Airport, but will improve their service so that the many people in this area will be able to use this airport.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

Mr. Paul H. Simpkins, Managing Editor, The News Journal, Radford, Virginia, former reporter for the Southwest Times, Pulaski, Virginia. Mr. Simpkins will testify in chief as follows:

Paul H. Simpkins, Radford, Va.

Since the reopening of the New River Valley Airport, after being closed for improvements, it has been a most frustrating experience to try to deal with Piedmont Airlines at the New River Valley Airport. Listed herein are some personal examples and from reliable information these examples can be multiplied many times. I believe this accounts for the prevailing belief that Piedmont is deliberately trying to delete service from the New River Valley Airport.

Since October 15, 1966 I have served with the news medias of New River Valley and have had occasions almost weekly to call Piedmont Airlines at New River Valley Airport for various information.

Quite often I have found it impossible to reach the New River Valley Airport office of Piedmont by telephone. When I have found it necessary to contact the office, I have been forced to take an hour or more of time in repeating calls to reach them.

When I go to the NRVA office I have found the local staff provides our newspapers with the finest of service. Our problem has been over the telephone.

Several times in past years I have allowed the telephone to ring 60 to 70 times before it was answered. This was during the routine business hours.

Recently we found an occasion when we needed a statement from the local manager. Both our society editor and I counted the rings. It was sounded 100 times. There was no answer.

We waited for a few minutes and repeated the call. Again we let it ring for 100 times. There was still no answer. This was on the date Piedmont told the local airport commission of their intentions to pull out of NRVA.

Also looking back about one year, I can recall photographing one of the agents. It was for a feature picture of baggage for The Southwest Times. We were in the storage room which adjoins the Piedmont office when the telephone began ringing. The agent continued to pose for pictures. "Go ahead and catch that phone. I'm in no hurry," I assured him. He did not move.

Again I insisted that he stop and answer it. He declined and said something to the effect of "Let it ring. They'll call back."

As friends, the local staff leaves little to be desired. Their efficiency in operating their office to serve the public is another matter.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

Mr. Allen O. Kinzer, Director of Continuing Education, New River Valley Community College, Dublin, Virginia, Mayor of the City of Radford, Virginia. Mr. Kinzer will testify in chief as follows:

Allen O. Kinzer, Radford, Va.

New River Community College is a new college, situated on a one-hundred acre campus, located 2½ miles south of New River Valley Airport, on U.S. Route 100. The following is a factual analysis of New River Community College:

Cost of building, land and equipment-----	\$2, 256, 000
Number of students enrolled-----	900

Number of faculty members-----	51
Total number of employees-----	73
Annual budget-----	\$818,000

New River Community College is a division of the State Department of Community Colleges, and this arrangement requires frequent administrative meetings in Richmond, Virginia. Consequently, Administrative College Personnel make approximately 36 trips per year to Richmond, Virginia. At present, schedules from New River Valley Airport prohibit the use of this facility for these trips. In addition, we find the schedule prohibits visitors to our college from using the New River Valley Airport.

The projected growth of New River Community College by 1975 is 1200 students. With increased college faculty, the annual budget will be One and Three-Fourths Million Dollars.

At the present, the college has provided a non-credit course in aviation. A "Private Pilot Ground Training Course" was provided to eighteen participants, quite successfully. Aware of the interest and need in the four-county area and the City of Radford for training in aviation, and cognizant of the feasibility of the course of training, the college is actively interested in future courses. We, advisedly, could presuppose that accredited courses in aviation would be included in the curricula at the college in the not-too-distant future. It naturally follows, then, that New River Community College is deeply interested in the growth potential of the New River Valley Airport.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

Mr. E. C. Dickens, owner and manager of E. C. Dickens Insurance and Real Estate Agency, Radford, Virginia. Mr. Dickens will testify in chief as follows:

E. C. Dickens, Radford, Va.

Mr. Dickens evidence in chief is presented in the form of two letters written to Counsel for New River Valley Airport and are presented in Toto as follows:

Re New River Valley Airport, Piedmont Airlines.

Mr. JOHN GOLDSMITH,
Attorney-at-Law,
Radford, Va.

DEAR MR. GOLDSMITH: Some time ago I wrote you a letter expressing the importance to me primarily as a businessman, as well as personally, our being able to maintain and keep Piedmont Airlines active in this area: by that, making available for the residents of this area various and convenient flights in and out of the New River Valley Airport located in Dublin, Virginia.

From many discussions with friends, corporate executives, etc., I was also greatly impressed by the fact that they felt the same as I. This not only applied to passenger flights, but to mail and material shipments also.

From what I have read in the papers, Piedmont Airlines has been making an extensive effort to withdraw from this area, leaving the tax-paying residents stuck with an expensive, and possibly useless, airfield and terminal.

To my knowledge, their main reason for desiring this withdrawal has been lack of boardings. I recall that at one time the amount of boardings far exceeded the expectations of any of us and by far exceeded the minimum boardings Piedmont first outlined as necessary to provide services to this airport.

Then, it seems, one by one they began to restrict and cut out flights to the point that it provides hardly anyone with real incentive to drive to Dublin as opposed to Woodrum Airfield in Roanoke, Virginia.

In the last eight or ten months it appears to me that Piedmont is forcing upon us the exact attitude that they wish to achieve: that is to say, by reducing the number of their flights even more, by refusing to answer the telephone (I have tried for as long as two hours in the middle of the day), by lack of courtesy and practically every other act that would discourage a person from using their services.

E. C. DICKENS INSURANCE/REAL ESTATE AGENCY,
Radford, Va., August 6, 1971.

Mr. JOHN GOLDSMITH,

Attorney-at-Law:

This certainly causes apathy, disgust, and a "to hell with it" attitude among the customers Piedmont would have ordinarily had. Thus, the method of their madness would be obvious to a seventh grader.

As you know, I have been in the insurance and real estate business over sixteen years and have frequently found myself boarding a Piedmont plane in Dublin, particularly the Richmond flight, and being able to be back the same day. This was much more convenient (and safer) than driving to Roanoke.

It is my opinion personally that because of the very acts of this airline in the last year, that they should be forced to provide service to the New River Valley Airport even if they lose money for the next two years.

It is conceivable that if they restored convenient, frequent flights, that once more, in time, many of us in the area would find ourselves going to Dublin.

I personally shop around, and even go out of my way if necessary for airline services other than Piedmont simply because of the inexcusable treatment and provocation that they have caused at New River Valley Airport. If they would return to a situation of commercial decency, I am sure that I would change my mind.

Sincerely yours,

E. C. DICKENS.

THE E. C. DICKENS INSURANCE AGENCY,
Radford, Va., August 6, 1970.

Re New River Valley Airport Facilities.

Mr. JOHN GOLDSMITH,

*Attorney—New River Valley Airport Commission,
Radford, Va.*

DEAR MR. GOLDSMITH: Being in the insurance and real estate business for over 15 years, my profession has required me to make frequent trips to Richmond, Virginia.

Several years ago I found it necessary numerous times to get to Richmond and back to Radford the same day. Piedmont Airlines provided a valuable service in this regard, as they had a morning flight to Richmond and a return flight allowing me to be back in my office by 5:00 P.M. They still have a morning flight, but the return flight is usually too late to arrive back in Radford to meet possible evening commitments.

Flights to other areas have likewise deteriorated from the standpoint of convenience and service from end to New River Valley Airport to the extent that I seldom use their facilities anymore.

Sincerely yours,

E. C. DICKENS.

George A. Hillsman, now retired, for many years was the Executive Manager of the Pulaski County Chamber of Commerce. Mr. Hillsman made the original survey of the New River Valley Airport, during the years of 1956, 1957, and 1958, to determine the number of actual flights of people in the New River Valley Area made in 1956 and 1957 and potential flights for 1958. He also determined the amount of freight and express generated at that time. Since these dates, Mr. Hillsman has continued his interest in the airport and was employed recently by the NRVAC to resurvey the area. Mr. Hillsman will testify in chief as follows:

George A. Hillsman, Pulaski, Va.

Unfortunately, Mr. Hillsman has been ill and is now confined to a hospital. It is doubtful that Mr. Hillsman will be able to testify at the Hearing in September. If Mr. Hillsman is able to testify he will testify in chief as follows:

The following is taken from conversations during the summer of 1971 and is not a direct statement by Mr. Hillsman but Counsel believes it to be accurate. Mr. Hillsman will justify his estimate that the New River Valley Airport has a minimum potential enplaned passengers of at least twelve hundred (1,200) per

month provided Piedmont gives a reasonable schedule. Freight and express will develop above Piedmont's ability to handle with its present or past schedules at New River Valley Airport. Mr. Hillsman will give a detailed summary of the industrial and commercial growth within the New River Valley Area and relate same to the New River Valley Airport.

Counsel deeply regrets Mr. Hillsman's illness and sincerely trusts that he will recover sufficiently to complete his survey and be permitted to file a statement and testify in this proceeding.

Respectfully submitted.

NEW RIVER VALLEY AIRPORT COMMISSION,
By JOHN M. GOLDSMITH, Attorney.

**STATEMENT OF CAPT. ALEX C. BONNER, FIRST VICE PRESIDENT,
AIRLINE PILOTS ASSOCIATION; ACCOMPANIED BY GARY GREEN,
DIRECTOR, LEGAL DEPARTMENT; AND KEN BURROUGHS, ENGI-
NEERING AND SAFETY DEPARTMENT**

Captain BONNER. Mr. Chairman, on my right is Mr. Gary Green, who is director of Airline Pilots Association legal department; on my left is Mr. Ken Burroughs of our engineering and safety department.

I am representing the professional interests of 31,000 airline pilots and 15,000 flight attendants of the Nation's airlines.

I appreciate this opportunity to appear before you to express the views of our association about the safety aspects of air taxi and commuter operations and the role of air taxis and commuters in the overall scheme of the national air transportation system.

At the outset, let me make it perfectly clear that we do not oppose the existence of or necessity for small passenger-carrying aircraft operating for hire and serving areas that cannot be served by large carriers for economic reasons. There is a public need and the public deserves to have this need filled.

It is certainly no secret to this committee that the history of air taxi operations has not been a happy one. Many pilots residing in areas of small population have attempted to make a living by flying passengers to large cities either on a scheduled or nonscheduled basis. Over the years, many found enough customers desiring to fly often enough to these places and succeeded in establishing themselves as reliable, safe operators.

On the other hand, there is a long list of tragedies that have occurred since World War II when some air taxi certificate holders got over their heads financially and let maintenance and pilot training slide. The sad result was that many passengers and pilots were needlessly killed or injured.

A final note of irony to these tragedies is the fact that accident investigations were often hampered because the aircraft were not equipped with cockpit voice recorders or flight records.

As the statistics mounted, the FAA tightened the regulations somewhat in regard to airworthiness, pilot qualifications, and general operating rules for air taxi and commuter operators over the years.

Because of our concern for public safety in the air, we have always kept close watch on these changes and have supported those that represented safety improvements. However, two separate and distinct sets of standards have been preserved, and an ironic and potentially tragic situation still exists for the innocent air traveler.

When he boards a large airliner today, he is protected by a set of rules that insures his safe arrival with far better odds than he would have if he traveled by any surface means of transportation. The accident record of the large, regularly scheduled airlines attests to the wisdom of the rules and the extensive system of checks, double checks, and inspections that now exist.

However, when a passenger alights from the large aircraft and boards a small one, he usually doesn't know that the protection he enjoyed is now not the same. The pilot may be less qualified and experienced; the aircraft and its engines may not have been subjected to the same rigid inspections; the operating rules may be more relaxed.

He has, perhaps unknowingly, placed himself in a situation where the statistical odds have changed and they are not in his favor. Although the obligation of both carriers to get him safely to his destination is the same, the small aircraft operator is not required to assure him that it will do so with the same degree of confidence.

It is the belief of members of the Air Line Pilots Association that the passenger deserves a better break when it comes to his safety. When he buys his ticket, he is not told that his life is being placed on two different levels of safety. He is not aware that the pilot of the small aircraft may not be very experienced or that his plane may not have been subjected to the same kind of inspections as the larger one.

We believe that all fare-paying air passengers should be protected by the same level of safety through the Federal aviation regulations. We believe that all aircraft carrying passengers for hire should be maintained in a manner similar to that expected of the major air carriers. We believe that pilots who transport fare-paying passengers, regardless of aircraft size, should have the same degree of proficiency and that their physical requirements should also be the same.

We are well aware what the impact of such a stand will be. It will cost more to operate the small aircraft. Some operators would have to close down. We, the professional airline pilots, would be accused of having them driven out of business.

Lest we be misunderstood on this point, let me say that we do not want the air taxi or commuter operators to go out of business. They bring passengers to the larger airlines and contribute mightily to the Nation's air transportation network.

Our major desire is that the passenger be protected on the same level at every stage of his air journey. If the Government permits the small aircraft operator to conduct a transport-by-air business, the Government must take the responsibility for assuring passenger safety, even to the extent of granting subsidies for other financial assistance, if that is what it takes.

We feel very strongly that all air carriers transporting passengers for hire should be governed by the full sweep of the Federal Aviation Act of 1958, regardless of whether or not they do their flying interstate or intrastate. Safety always has a price and, in the case of air transportation, that price is always high. But it is a price that must be paid in the public interest.

We support the principle of the bill under consideration here today which would authorize the Civil Aeronautics Board to enter into contracts, on an experimental basis, with air carriers to provide air service to small communities.

We reiterate, however, that any subsidy arrangements should include sufficient funds to insure the same level of passenger safety that is incumbent upon the large carriers. The bill carries no such assurance. In fact, there is not a single word or sentence dealing with air safety, the minimum level of air safety, in the bill as it is currently written.

We think that any air carrier taking part in this experiment at public expense should be required to operate under safety provisions equivalent to part 121 of the Federal aviation regulations. We cannot agree with the concept that any fare-paying passenger should be deliberately subjected to a dual standard when his life is at stake.

If any increased expenses are incurred as a result of this requirement, they could be closely audited during the experiment and the true cost of raising the level of safety for air taxi operators could be ascertained.

It is our opinion, then, that appropriate safety requirements should be written into the bill, and we so recommend. The Airline Pilots Association stands ready to cooperate with your committee in this regard, if desired.

Thank you for this opportunity to appear before you on this subject. I will be happy to answer any questions you have.

Senator CANNON. Thank you, Captain Bonner. You complain of the different safety standards applied to the certificated air carriers and the commuter carriers.

As you know, the certificated carriers are required to operate pursuant to part 121 of the FAR, which you say ought to be applied to the commuters.

However, the commuters are required to operate pursuant to part 135 of the FAR's. Would you explain to the committee the principal deficiencies of part 135 as you see them, and specifically how safety is compromised?

Captain BONNER. If I may, sir, I have here the highlights in a listing which I can read, but I would like to hand to you and your committee copies of the same in order that you can see for yourselves. I will just read the highlights of them to you.

As an example, part 135 has a requirement for under 10 passengers, it also has one for over 10 passengers. Part 135 operators are not required to have a cockpit voice recorder or a flight data recorder.

The pilot in command under part 135 is not required to have an ATR, which is the highest air transport rating.

Senator CANNON. Yes, but is that something so essential to safety? We had one of the commuter witnesses in here yesterday that testified that his captains have an average of 12,500 hours of flying time. It seems to me if a man has flown 12,500 hours as a pilot, you certainly wouldn't normally refer to him as being an unsafe pilot, if he didn't happen to have an ATR rating. I think he would have under those circumstances.

Captain BONNER. It is very possible he does. We are not questioning the experience level of some pilots who are presently operating these planes. However, our position is that if the commuter service is required to have the pilot possess this air transport rating, then the passenger knows he has the same level of safety up front that he has on

the larger major carriers. There would be no difference if it is legislated that way.

However, unless it is, there is no assurance.

Senator STEVENS. I have to read this in connection with some of the planes I fly on around my State. It certainly doesn't seem to me that the requirements for the pilot command are the same if you are on an Otter or a Goose, as compared to being on a 707 or a 727 or 737. I don't really feel that that is a good objection when you are dealing with the commuter aircraft, because the amount of equipment, the amount of training, the exposure to high altitudes, the total problems of approach are entirely different when you are dealing with a commuter-type aircraft and when you are dealing with a jet.

Captain BONNER. Sir, if I may answer that, if you are a passenger who has been transferred from a 707 or 747, and your destination is an airport with a very low ceiling, certainly you want to have that plane fully instrumented in order to land at that small airport. You, as a passenger, would want that.

Senator STEVENS. I agree.

Captain BONNER. I think you would also want, sir, to know that there are minimum standards existing in the front of that airplane, the cockpit, that exists in the same 707 and 747.

As an example, in the training program, the line checking under certain parts of 135, there are no requirements for a copilot unless they are operating in IFR conditions, and that, of course, we all know we can't guarantee.

We have also a minimum equipment list that is provided for all of the major carriers, certificated carriers, which simply states that without this equipment onboard and operating and functioning at that time, that flight can't leave. Part 135 does not have this requirement.

Part 135 has no requirement for windshield protection of the pilots. All of our flights, although we have some flights, as you know, that go rather fast, but in the certificated requirements, the windshield, under part 121, has to accept a bird strike of an 8-pound bird. Part 135 operators have no requirement in the windshield.

Senator CANNON. Have you ever heard of any commuters being lost as a result of a bird strike, and, if so, when? I can remember a lot more of them that happened in connection with a bigger aircraft than a commuter-type aircraft.

Captain BONNER. Well, I don't have that answer for you, Senator. I can only give you an example of the difference of requirements.

Senator CANNON. You have pointed out a lot of differences here in your chart. I agree with Senator Stevens, I don't think a lot of them are very valid. I am all for safety, and I understand that the FAA is presently taking steps to upgrade the 135 requirements, which I am in accordance with, but, for example, a flight data recorder and a cockpit voice recorder, I don't see that has one iota to do with the safety of the passengers on that flight. It is true it would facilitate in an accident investigation if they had an accident and if it related to the flight recorder data that could be furnished, or the cockpit voice recorder.

But from the standpoint of the operation of that aircraft, that doesn't make that particular aircraft one iota more safe than if it didn't have that equipment. Would you agree with that?

Captain BONNER. Yes, sir; I would agree with that, because you are talking about the future operation of it.

Senator CANNON. That's right.

Captain BONNER. However, as I pointed out in my testimony, sir, the history of air taxis is a sad one, accident wise. We would be much better off had we known more about what caused an accident. One tool that helps us find the cause of an accident is a voice recorder.

Senator CANNON. But that is a pretty expensive tool, though, and you have got to keep in mind, as you pointed out earlier, that you don't even have to have a copilot on a lot of these flights, and I think the passenger takes that risk knowingly.

You have always got the chance of a pilot of a single-engine airplane, in having no copilot, dropping over with a heart attack. Of course, he hasn't got a second man there to take over, if that should happen. I don't know of any instances that I can recall when it did, but it is one sort of implied risk.

It seems to me if you regulate these people to the extent that you are suggesting, what you are really going to do is to regulate them out of business, and it will mean that a lot of people will not be able to have service, a lot of small communities that want the service and want it with those implied risks. I fly a lot—of course, I usually do my own flying—but I fly a lot of times that I know that my safety is perhaps not as good as if I were on an airliner that is flying at 35,000 feet and it has got the problem only of the climbout and the letdown and the landing.

Are you talking really about trying to regulate these people to the extent that we are going to say that they can't have service, they can't have a secondary service through these commuter carriers?

Captain BONNER. No, sir; I do not intend that, and we do not take that position at all, sir.

If I may be a little argumentative for the moment, it reminds us of the same position the Civil Aeronautics Board and the Federal Government was in, in the late 1940's and the early 1950's, when we first began the regional concept. Those airline operators were required to operate under the same part 121 as the certificated carriers. That service has developed. We envision now a development of a third level service to these small communities. We feel that the same propriety should exist here.

Senator STEVENS. Could I interrupt again?

Senator CANNON. Sure.

Senator STEVENS. Captain Bonner, if what you are saying is we ought to find some way to assure the ultimate level in safety on this experiment, I agree with you, but if you are saying we should take part 121 and apply it to the commuters, I agree with the chairman, we are not going to have it.

Once more, if we do that in Alaska, we are not going to have service to some communities—without highways, without railroads, no competing form of transportation. The only thing we have today is 180's, Gooses or Otters with one pilot. Our people would like to have small jets, and we would like to have this committee authorize building international airports at every village. But I don't know any way we can achieve that—any service to them—unless we have a modified system such as part 135 provides.

Captain BONNER. Sir, as an example, the average pilot that we represent, has his monthly flying time restricted on a daily and a weekly and a monthly maximum.

Now, we have passengers that are being flown around today by air taxi pilots who are exceeding 200 hours a month. We think that is too much.

Senator CANNON. Are you sure of that?

Captain BONNER. Yes, sir. I confirmed it by telephone.

Senator CANNON. What is the limit that you are permitted now?

Captain BONNER. We feel 85 actual hours should be the maximum.

Senator CANNON. What do your contracts provide?

Captain BONNER. The contracts vary, sir. Some of them have 75, some of them have 85. The international go as high as 120.

Senator CANNON. Do you really feel that is a safety factor, or is that an economic factor that you have been able to bargain out with the carriers? When you are talking about 75 hours, that is $2\frac{1}{2}$ hours a day on an average. Do you think that that is really a safety factor, that an airline pilot should not be able to fly over that amount, or be frank with us and tell us whether that is just an economic factor that you have been able to bargain out which means that you have got more people working and you have got more time off?

Captain BONNER. No, sir; I do not, because it depends upon the stage and the length of the flight segment. That is why we have maximum limitations on a daily basis. If you divide it by the month, then your figures are correct, sir. But our stage length segments are not $2\frac{1}{2}$ hours.

Senator CANNON. I understand.

Captain BONNER. So, we can fly 8 hours in a day. I am speaking here as though I were the passenger. What does a passenger get? Does he get a refreshed pilot or does he get one that has flown in excess of 12 or 16 hours in one day?

Senator CANNON. I seriously doubt if you can furnish any examples of a pilot that flies in commuter or air taxi service that has flown more than 12 or 16, particularly more than 16 hours a day. I just don't believe that has existed.

Captain BONNER. I am using 16 hours as an emergency figure.

Senator CANNON. Unless there has been some sort of dire emergency.

Frankly, I don't find your argument there too valid, really. I have a little experience in this field. I have operated a very substantial number of aircraft as an operations man myself, and flown well in excess of 130 hours a month for a number of months. I don't feel that my efficiency was brought down very much as a result of that. Maybe it was. But it seems to me that what you are doing is getting the economic argument into this situation where you have been able to bargain it out with management of the companies.

Captain BONNER. The Federal Air Regulations determines the maximum hours under these various parts.

Senator CANNON. What is the maximum under part 121?

Captain BONNER. One hundred hours, sir.

Senator CANNON. Then that indicates on its face that what you are doing is raising the economic argument. Because none of your people fly 100 hours a month, do they?

Captain BONNER. The international do.

Senator CANNON. Do you know of any of your member contracts that provide they can fly 100 hours a month?

Captain BONNER. Internationally, yes, sir.

Senator CANNON. Whose contract has that?

Captain BONNER. Saturn Airways, Universal, Seaboard, ONA.

Senator CANNON. Any of the trunks?

Captain BONNER. The trunks go on a quarterly basis. So there are some months they can exceed, but they adjust for the quarter.

Senator CANNON. There are some months under your contracts with some of the trunks that can go up to 100 hours a month?

Captain BONNER. Some of the international, yes, sir.

Senator CANNON. While we are on that, you are aware of the fact the FAA has recently proposed some changes in part 135 of their regulations to upgrade the safety standards for air taxis and commuters. In your judgment, will those new proposals provide an adequate level of safety to the passengers of the computer air carriers?

Captain BONNER. Are you referring to those above the 12,500-pound limitation that must operate under 121?

Senator CANNON. No; I am not referring to where they make a requirement to operate under 121. I am referring to their upgrading of part 135 with respect to the commuters.

Captain BONNER. What I have here before me, sir, I believe, is the latest FAA upgrading of the part 135. If there are other listings, we do not have them at this time. I am sure we can obtain them.

Senator CANNON. I thought there were still some proposals that were not written into this. Maybe I am in error.

Captain BONNER. Not to my knowledge. We normally receive notice when any change is proposed.

Senator CANNON. What you are saying, then, and let me make sure that I understand it, is that the FAR's, under part 135, do not provide. In your judgment, an adequate level of safety to the passengers of the commuter air carriers; is that what you are saying?

Captain BONNER. To the passengers; that is correct, sir.

Senator CANNON. OK. You may proceed.

Captain BONNER. Do you have any further questions?

Senator CANNON. I have some others. I thought you had something else you wanted to comment on first.

Captain BONNER. No, sir.

Senator CANNON. In previous testimony we have here, we were told the Airline Pilots Association have negotiated certain provisions in their contracts with carriers forbidding carrier management from suspending service or asking the Board to delete marginal points from their routes even though the carriers might be sustaining heavy losses at certain points. Will you comment on that?

Captain BONNER. If I may, Mr. Green will comment on that one, sir.

Mr. GREEN. Senator, the answer to your question is "Yes." In some respects the Airline Pilots Association has negotiated restrictions on a certificated carrier's freedom to suspend service and transfer flying opportunities that it would otherwise have provided to an air taxi operator.

In addition, we have attempted to bring the problem to the attention of the courts, because we believe that in many cases the subcontractings of work or suspensions in favor of an air taxi operator violate the Federal Aviation Act.

We have imposed that successfully on a number of carriers, both in court and at the bargaining table.

Senator CANNON. Does that relate to safety problems or is that purely an economic arrangement?

Mr. GREEN. I have talked to a lot of pilots as an attorney to a client. I find that both arguments are raised.

I think the pilots are sincere about the safety problem, in that they frequently cite to me the hazards of entering a controlled airport in circumstances where their surrounding traffic consists not only of certificated aircraft and certificated pilots but the air taxis as well, and they legitimately consider that to be a serious hazard.

Senator CANNON. Of course, most of these do not occur on that type of an airport. Most of these occur out in the hinterlands where there is not sufficient passenger generation that the trunk or the local service carrier can make a profit. So they try to spin these off.

I find it frankly a little disappointing that the pilots association would negotiate contracts or insist on contract provisions that don't fully try to help the carriers do the job that they are trying to do and that you are trying to help them do.

In other words, they have got to make a profit. They don't spin off any of these routes that go into the big hubs, that go into a place where you have high-density traffic, at least I am not aware of any of them. Maybe I shouldn't say that.

I am aware of one contract that United spun off to Frontier, which raised no problem there because your people were involved in both cases. I think.

But they do go into some pretty dense airports, at least, one dense one. But for the main, these are cases where the trunk or the local service carrier can't operate economically at a profit, where it is a low-density situation, and they are trying to improve the profitability position.

Mr. GREEN. If I may respond, Senator, we are not in the business of telling carriers how to make money, or how to improve their profit picture.

Senator CANNON. You certainly have an interest in that; don't you?

Mr. GREEN. As a matter of fact, the pilots have a very healthy interest in it. In response to that, I think that provides the basis for this comment. At those stops where the carriers have typically requested suspensions of service to yield to the air taxi operator, we have found a number of things contributing to the employer's determination.

No. 1 is his instinct to abandon the maintenance of service through small airplanes and to change his airline into a large airport operation.

We find at the same time a lack of interest in promoting or stimulating the air traffic at low-density points, for the very reason he can maximize his profits at least in the short term by focusing on those places where the traffic is heavy enough to fill the big airport.

We wondered as pilots whether this was sound economic judgment.

Of course, the employer has to make that determination.

But what we are finding in the sixties, in the 1960's, is that the air taxi industry has shown a taste and an appetite for developing traffic at smaller stops through small airplanes to the point where they can outcompete and outstrip the certificated carrier in head-to-head com-

petition, by themselves developing the traffic and showing the passenger that they want to carry him.

We wonder, as employees of the certificated carriers, why our employers don't show that similar appetite for traffic. We believe the traffic is there and that small airports can carry them.

This is, of course, quite apart from the basic safety issue, but it is a fact in our judgment that the safety standard can be maintained by certificated service with small airports.

Senator STEVENS. I jumped on a plane the other day of a certificated airline, I think it was United, I ended up in an Otter. Your people are flying those planes, aren't you?

Mr. GREEN. I don't know that United has any Otters, but there are some certificated carriers who still do and always have, who use small airplanes that would otherwise be in the category of an air taxi operation.

We think that is an appropriate step for a certificated carrier to take when he is trying to provide certificated service to a small stop.

We are opposed to those employers who would prefer to abandon that public service in order to maximize their profits by flying only those routes where there are crowded markets.

We think it is rather shortsighted of the employers to get out of the uncrowded markets. We believe there is plenty of potential there.

Senator STEVENS. Maybe I didn't state my question succinctly.

If you have a carrier that your people have a contract with, does it provide that whatever aircraft fly, your people fly?

Mr. GREEN. In most cases, that is either the contract or the practice.

Senator STEVENS. Thank you.

Senator CANNON. Why is it that the ALPA pilots at Allegheny have not only not opposed replacement agreements but have vocally supported management on that issue?

Mr. GREEN. I think those pilots are employed by management who has taken the most statesmanlike, intelligent, careful, and well-developed steps in connection with developing relationships with commuter carriers.

Senator CANNON. That is not the position of ALPA generally, is it? That is contrary to ALPA's position?

Mr. GREEN. That is correct. There is a discrepancy there, reflecting the interest of the pilots who fly for Allegheny as opposed to the interest of all the pilots overall.

Senator CANNON. Of course, when some of the other carriers have tried the same thing, then, ALPA has attempted to stop them and has in fact stopped them in some instances, isn't that correct?

Mr. GREEN. Yes, sir; I think it reflects the fact that as an international labor organization, we are a democratic institutions. We don't attempt to impose solutions—

Senator CANNON. But it also reflects to me it is not a safety factor then at all, is it, it is purely an economic factor.

Mr. GREEN. No, I don't think it is purely economic. I think your questioning and the exchanges between you and Captain Bonner a moment ago reflect the fact that men of good will can differ over what is an appropriate degree of safety. I think those differences are hard to keep in the abstract away from everybody's economic self.

Senator CANNON. Why does ALPA in its lawsuit against the Board seek to prohibit the Board from exempting commuter carriers from the economic regulation of the Board?

Is it because, as some have testified, that ALPA wants to kill the commuter airline industry because the industry's pilots generally don't belong to ALPA?

Mr. GREEN. Well, we believe, and the court agreed, that the commuter industry, which operates under an exemption, has really outstripped its own exemption.

We believe, and the court agreed, that when Congress allowed the Civil Aeronautics Board the power to exempt some carriers from the certificate process, they granted that power to the Board in a very narrow and restricted and conditioned way. Whether or not these conditions and restrictions of Congress were met by the Board when it initially allowed the air taxi industry to fly under an exemption is one question.

But whether those limitations and restrictions still exist today, I don't think there is any doubt about the fact that that industry has simply outgrown its initial restricted role.

It has come to be an integral part and a valuable part and a regular, substantial part of today's air transportation system.

As such, we maintain, and the Court agreed, that the Civil Aeronautics Board has no power to allow these operators to fly without a certificate, because it was Congress determination back in the thirties and renewed again in 1958—

Senator CANNON. That isn't what the court held at all, as I understand the decision. This related to the matter of hearings, not that they couldn't fly without a certificate.

It was a question that they couldn't do this without first requiring and holding a hearing.

Isn't that what it was?

Mr. GREEN. I think the two statements you are making really fit together. I think what the Court's holding is, stated as accurately as a lawyer can, that before the Board permits a carrier flying under an exemption to become a part of the certificate process, that is to say, to carry traffic in and out of a station previously certificated, before it does that, the CAB must conduct a hearing into the question as to whether the continuation of an exemption is warranted.

Now, there is also other language in the opinion, if I may be a little less accurate and a little more interpretative, there are other aspects of the opinion which convince me that the Court has viewed the evidence and has made the determination that any exempted carrier will never be able to prove that it is entitled to an exemption when it wants to fly certificated traffic in and out of certificated stops.

Senator CANNON. I don't read that into the decision at all myself, but I agree with you on the first part, and I wanted to make that clear in the record, that it relates to take this action without a hearing rather than the question of whether they would or would not grant the authority after they held a hearing.

As I said before, I am very interested in the safety aspect, but I don't like to see these matters of economic problems, wholly unrelated to safety, being burdened onto the commuter carriers that would prohibit

a lot of small communities in this country from getting any kind of service at all.

I think when a smaller carrier goes into an area, particularly when they are flying a small, single-engine airplane—under part 121, you can't fly a single-engine airplane, a lot of these communities would be happy to have that, knowing that the risk is higher with a single-engine airplane than it is with a twin engine. When it becomes a problem of having service or not having service, I think that we have to look at it pretty realistically and look at our responsibility and the Board has to look at what their responsibility is: Do we want to provide service or do we want to provide a goldplated service, which certainly would be the desirable objective.

Any comments?

Captain BONNER. I think, sir, as I read the thrust of these bills before you for consideration, you are asking to engage in an experiment for a short period of time.

Obviously, some of the areas that you speak of and the Senator from Alaska spoke of, were not even included in the Civil Aeronautics Board recommendation for this experimental study to be undertaken.

Senator CANNON. Yes, but we have had some other recommendations made by other witnesses during the hearings.

Captain BONNER. I feel, sir, as I said earlier, since you are considering an experimental period to determine what is needed for third level carriers and what is needed for these small communities, I am certain that you will ascertain if the passenger wants service and if it can be provided.

Senator CANNON. I would be very happy if ALPA—if you would like to review these differences in the chart that you furnished us, the part 121 and part 135 differences, and specifically pinpoint for us the items that you feel relate to safety and eliminate the economic items out of it, just strictly the safety items that you think ought to be upgraded, because we would be very much interested in that, not upgrade them to the extent you are going to upgrade them out of business. We would be interested very much in knowing what you people with great expertise in the area feel actually ought to be required of these commuter airlines to give the passenger a reasonable degree of safety.

If you do that for us, it would be very helpful.

Captain BONNER. We would be please to.

Senator STEVENS. I would like to know, for instance, what you think about this flying time limitation as far as these experimental contracts are concerned, Captain.

Alaska is one of the target areas for the contract procedure, and we are quite interested in seeing what is going to happen in terms of this.

I agree with what the chairman says. One of the problems is that the passenger gets off of a jet and he finds he is going over to the next gate and he is getting onto an Otter, or maybe even into a single-engine airplane. It may be that we have a problem there in terms of what you are saying, but we ought to find some way to assure him that the safety standards are the highest we can possibly attain in that aircraft.

I think that is what the Chairman is looking for, and we would like to have your suggestions along that line.

Captain BONNER. We would be glad to provide them.

Senator CANNON. Thank you very much, gentlemen.

We appreciate your help.

(The information follows:)

During my appearance before you on April 12, 1972, you requested that I furnish additional recommendations concerning the safety aspects of air taxi operations. We are grateful for this opportunity because of our continuing concern about the dual standard we have in this country in regard to air carrier safety.

Let me repeat our premise: These recommendations are based upon the proposal to conduct experimental, government subsidized commuter type air carrier operations and on the longer range, stated objective that those airlines be granted route protection and operating authority. If commuter airlines are to be granted route certification, then they should be made responsible for providing the same level of service and safety as that made available by certificated scheduled air carriers.

As you are well aware, the Federal Aviation Administration has total responsibility to the air-travelling public for establishing and enforcing air safety standards. The Air Line Pilots Association has long considered these standards minimal and we have expressed our views on many occasions before the Federal Aviation Administration and the National Transportation Safety Board. Our position has remained constant: there should be one, and only one, level of safety for all air carriers, regardless of the route flown, the type of aircraft used or the length of the stages.

The chart I provided the committee contained differences between the Part 121 and Part 135 operations which relate to the safety aspects of air carrier operations. This comparison was extracted from the Federal Aviation Regulations. We believe the items listed below are the absolute minimum requirements air taxi operators should comply with now, in order that the same level of safety will exist for the air-travelling public.

1. Minimum landing distances for each type aircraft used in air taxi operations should be established. This should be a high-priority requirement since approach and landing accidents are by far the most prevalent and short runways are a casual factor. FAA requires a margin of safety of 15 percent for wet and slippery runways for Part 121 operators. This margin should be also required of Part 135 operators.

2. All pilots in command of aircraft carrying fare-paying passengers should be required to possess the highest rating issued by the FAA—the air transport pilot certificate. Although many pilots flying air taxis today have thousands of hours of air experience, they are not required to possess this rating. If they did, it would assure the passenger that the pilot in command possesses an instrument rating and has successfully completed a first class physical examination within the preceding six months.

3. Aircraft operated under Part 135 that have passenger capacities in excess of 15 seats should be required to have second-in-command pilots aboard at all times. This requirement is especially significant when operating in areas of high traffic density. The present-day complexities of enroute navigation and communication and the ever-increasing potential for mid-air collisions certainly justify an operating cockpit team in the interest of safety to passengers, other aircraft and persons on the ground.

4. Part 121 provides for a comprehensive ground and flight training program for all flight crew members which is considered the minimum standard for safe operations. We feel the public deserves the same minimum standard for carriers operating under Part 135.

5. The FAA has determined that pilot fatigue is a major consideration for air safety. Pilot flight limitations of eight hours daily, 30 hours in 7 days, 100 hours monthly, and 1,000 hours annually have been established for Part 121 operators. We feel strongly that these maximums should be applicable to pilots of all carriers transporting passengers for hire.

6. Over-water flights by air taxis are commonplace yet the regulations do not recognize that a life raft carried in the small aircraft can be a hazard under certain conditions. ALPA recommends that individual life vests should be the primary requirement and then the life rafts.

7. First aid kits should be required in all Part 135 aircraft. Although seldom needed, they do provide a simple but important safety measure which is now non-existent.

8. High quality aircraft maintenance and inspection can only be assured if these functions are separated. Mechanics who perform the maintenance on passenger-carrying aircraft should not "sign off" their work as meeting minimum safety standards. This should be done by a trained licensed inspector. Some air taxi operators have very small maintenance staffs, which leaves quality assurance subject to serious question.

9. In-flight engine fires represent one of the most serious potentials for tragedy in air operations. All Part 25 (transport category) aircraft are required to have engine fire extinguishers capable of two discharges each in each engine zone. This is not a requirement for air taxi aircraft but we believe it is an absolute minimum that should be required.

10. Part 135 operators are not required to provide the pilot a Minimum Equipment List. This list establishes the airworthiness items and engine operating performance indicators to assure safe operation. A pilot cannot legally proceed on a flight in Part 121 aircraft unless the aircraft meets the requirements of the list. We believe *every* aircraft carrying fare-paying passengers should adhere to a minimum equipment list.

While all of the above items are based on the hard-won, collective experience of our members, it should be a matter of record that a related industry concurs with our view that today's air passenger flies under a dual standard of safety. That is the insurance industry; specifically, the travel insurance business.

The fare-paying passenger may purchase a ticket from a Part 121 scheduled airline and subsequently be transferred with or without his knowledge to a carrier operating under Part 135. More often than not, he is completely unaware that there are different levels of insurance protection sold which may not cover him on the Part 135 aircraft. Civil Aeronautics Board regulations do require third level carriers to carry liability insurance in the minimum amount of \$75,000 per passenger. Recovery under such insurance depends, of course, on a determination that the carrier was, in fact, liable.

But the passenger may not be covered by insurance he purchased himself if he boards a Part 135 aircraft and he may not realize this. As nearly as we can determine, most insurance carriers at airports sell a basic policy which does not cover air taxi or commuter flights. Coverage extending to these third-level carriers must generally be purchased separately and costs more.

Our concern in this area is that the average air passenger is not aware of the legal and actual distinctions between certificated and non-certificated air service and will have no way of knowing that he is not covered.

As an example, one major insurance firm, which has the insurance concession at some 72 airports, including Washington National, sells a basic policy with coverage limited to certificated flights. The insurance counter personnel are supposed to be alerted to the distinction in coverage, but they are only expected to ascertain the air carrier on which the passenger is flying for the first leg of his trip. So long as the first leg is being served by a certificated carrier, the passenger will be sold the basic policy. If a later leg of his trip is served by a third level carrier (or if the intended certification carrier is replaced at the last minute by a third level carrier), there would be a gap in the passenger's coverage. Obviously, the problem is more acute in the case of vending machine insurance where there is no counter salesman to warn the passenger.

Our point here is that the travel insurance industry knows there are two different levels of safety standards involved from an actuarial standpoint but the passenger doesn't know it. Accident statistics of the air taxis also prove the point as evidenced by the excerpt of a recent report of the Flight Safety Foundation which I have attached hereto and wish to have made a part of the record. Also attached is a recent NTSB report describing the circumstances and probable cause of a recent air taxi fatal crash which is, unfortunately, tragically typical of current air taxi operations.

Our Association fully recognizes that Part 135 regulations cover several types of operations but it is the regularly scheduled service we are most concerned about. Both Part 135 and its companion Part 23 have been improved during the past two years and we are pleased to say that we had a part in this progress. However, we will continue to press the point that we believe the American public should fly under a single standard of safety and that to do less to place lives in jeopardy needlessly. We had a single standard years ago but it was abandoned in an apparent effort to stimulate the air taxi industry. We think the time has come to return to that single standard.

We appreciate this opportunity to supply additional information to this committee and trust that the foregoing material will serve to prove that our interest in safe air taxi operations is also the public interest. We will be happy to provide further information on any of the points covered by this supplementary statement upon request.

Senator CANNON. Our first witness is Mr. Jerry Deere, chairman of the Aviation Committee, Brazosport Chamber of Commerce, Brazosport, Tex.

STATEMENT OF JERRY DEERE, CHAIRMAN, AVIATION COMMITTEE, BRAZOSPORT CHAMBER OF COMMERCE, BRAZOSPORT, TEX.

Mr. DEERE. Mr. Chairman and members of the committee and the staff, if I may apologize before I begin, we were told at the time we applied to appear before the committee to submit in advance a number of copies of our presentation. These copies were prepared and were mailed on April 6 to the committee. However, it appears at this point that we used air service out of the Brazosport area because they haven't arrived yet.

I am Jerry Deere, the chairman of the Aviation Committee of the Brazosport Chamber of Commerce. Brazosport is a community as opposed to a municipality. The information that I wish to submit to you is in behalf of this community of about 46,000 people located on the Texas gulf coast, some 60 miles south of Houston. Brazosport is a composite community made up of seven municipalities and several unincorporated areas which are all contiguous and are recognized as a single community. In the written presentation that hopefully you will receive, there is a brief profile of the Brazosport area, but let me say that basically our community's economic elements are chemical manufacture, commercial fishing, tourist and recreation; petroleum, agriculture, and a deep-sea port. Our community has a primary market area of approximately 80,000 people and it is the largest community—

Senator CANNON. How many did you say?

Mr. DEERE. Primary market area of approximately 80,000. We are the largest community in Brazoria County, the oldest and one of the fastest growing counties. And, at a time when many small communities across our Nation are losing their economy and their population to the larger urban areas, Brazosport has had a steady and substantial growth rate. We feel like given a chance this growth rate will continue into the foreseeable future. Pointing out this growth rate, for the past four decades, our county, Brazoria County, has had a growth rate approaching twice that of the entire rate of Texas in percentage and Brazosport's growth has been a major portion of that growth.

We have a fortunate combination in our area of natural resources, good living conditions, and a lot of good people who have helped us to sustain this bootstrap-type growth. Invariably our community has faced problems with the intent of solving the problems on a local level

as we can. However, it would appear at this point, Mr. Chairman, that our community is facing a problem with reference to air transportation that we are unable to solve alone.

Since 1969, with the opening of the Houston Intercontinental Airport, our community has been effectively isolated from air transportation. Prior to 1969, the commercial air carriers that served the Houston region were centered at Hobby International Airport which is approximately a 50-minute drive from our area. Because of the nature of our community being highly industrialized, we generate an unusually large number of air travel passengers. When the airlines were flying from Hobby, we had a 50-minute drive and this was an inconvenience but certainly not a critical one and we as a community did not at that point go to any one for assistance because obviously we were living with it.

But the problem became critical when Houston Intercontinental Airport was opened in 1969 north of the Houston area. This is on the exact opposite side of the Houston area and requires that a passenger drive through the metropolitan area and what had been a 50-minute drive now became, under the best of conditions, a 2-hour drive. In effect, what this means, Mr. Chairman, is it takes as long to get from the Brazosport area to the Houston Intercontinental Airport to meet a flight as it would take that flight to go from Houston to Chicago.

I also point out to you, when I flew up to appear before you that our captain on the aircraft that I was flying on indicated it was 2 hours and 17 minutes from Houston to Friendship.

Most of the driving time that our travelers encounter is over a two lane and overcrowded and inadequate highway. This is probably the most hazardous part of any trip that our people would be taking. In order to plan a trip from the Brazosport area, you must allow approximately 5 hours' additional traveling time just to arrive at the airport. At this time, the Brazosport community has no commercial passenger carrier of any kind that would answer this question. Lest I mislead you, I will say we have two buses a day scheduled through our community but that does nothing but just change the vehicle of transportation and actually extends your time to get to the airport.

Senator STEVENS. What is your population?

Mr. DEERE. It is a composite community made up of seven municipalities and several unincorporated areas. Our area of population is 46,000. We have a primary market area of about 80,000.

Senator CANNON. You are on the same side of the city as the metro that testified here yesterday that operates to the airport?

Mr. DEERE. No, sir; they are southeast and we are farther south.

Senator CANNON. I mean you are both south of Houston?

Mr. DEERE. Basically south, yes, sir. They are toward Galveston. As the crow flies, we are some 40 miles from Galveston but by highway we would be considerably further having to go through the community of Alvin which is some 45 miles from the Brazosport area.

Senator CANNON. How far are you from their field, their STOL airport field?

Mr. DEERE. Mr. Chairman, I don't have the exact mileage. It would

be somewhere near 60-plus miles by surface transportation to their facility, at which time we would have to meet their schedules, hopefully to tie into a commercial carrier at Houston Intercontinental.

Senator CANNON. Have you tried to get them to extend into your area?

Mr. DEERE. In the presentation in just a moment, I would have said we have approached a number of commuter air carriers, even up to and including Texas International. We have approached Metro. In every case, all these people that we approached—and by the way, we began approaching these people prior to the opening of Intercontinental, because we realized at that point that we were going to have a serious problem. In every case, these carriers informed us that even though the need was there and there was a market there, that they could not project a profitable operation out of our community based on the market we were able to project and the studies that they did.

I would go on further to say the Dow Chemical Co., which is one of our large industries, has informed my committee that they are seriously contemplating some form of private subsidy to an airline just to restore—I again say restore—service to Brazosport because we did previously have a commuter airline in the area on a gamble situation thinking that perhaps they could establish a profitable operation.

The community of Brazosport wouldn't expect nor would we ask any private company such as Dow, even though they are very nice and very interested in the community and very generous to the community, we wouldn't ask them nor would we expect them to privately subsidize an airline or subsidize a solution to a problem which is basically that of the community. Let me go a little further to explain why we say this.

Dow Chemical employs some 6,000-plus people in our area. We are talking about an area, an area of 46,000, primary market area, 80,000. If you project this out to 3.3 persons per family, whatever the statistic is, a large percentage of people in our area rely on nonindustrial transportation.

I would go back to what Chairman Brown said Monday in his testimony. We feel like this is a matter of economic and social survival for our community. I would also paraphrase what he said Monday by saying—I believe he made the statement, "What industry would want to locate in an area that did not have air service?" I would paraphrase him to the extent to say what company would want to stay in a community that didn't have air service?

Senator STEVENS. How long does it take by bus to go to Houston?

Mr. DEERE. I would take about an hour-plus to the downtown terminal and then from the downtown terminal you would either have to catch a cab or walk over to one of the hotels to catch a limousine out to the airport, which is some 15 to 20 miles north of Houston. So, there is no connecting—the bus does not connect with any transportation to the airport.

Senator STEVENS. It sounds like getting from Dulles to Washington to Maryland. You ought to try that sometime.

Mr. DEERE. This is my first visit to Washington. I hope I don't have to experience it, sir.

Basically, Brazosport's dilemma is that our people and our industry in this growing community rely heavily on fast and efficient air transportation but we have been effectively isolated from that transportation. We are trying to find solutions. We have seriously explored alternate methods. We have explored improved highway access, other means of transportation, but it has been our findings that primarily, air shuttle service is the answer to the problem.

We realize that the trend in commercial aviation has been toward the huge jet ports such as Houston Intercontinental and toward the large, long-distance air carriers that service these jet ports. We know that there has been a Federal subsidy through the FAA programs, matching grant programs, and things of this nature to help develop both the facilities and the services to these hub positions. But the hub and spoke concept can't be effective with only hubs and no spokes. Intercontinental is a hub and we feel that Brazosport can be a spoke and potentially a very important one if we can get our people out to and back from the airport safely and efficiently. We feel we cannot do that without assistance.

I am here today representing Brazosport area, not to endorse any new legislation, not to seek any new Federal programs, and not to comment on the air carrier industry and certainly not to indicate to you, sir, that I am an expert in the field of aviation. But we think we have a serious problem which we can't solve alone. We believe that while our community may be unusual in the degree and in the severity of the effect of being isolated from air transportation, we feel like probably we are very typical of a number of communities, and hearing the Senator from the State of Alaska comment, probably very much like some of the communities in his State. I would pose two questions to you, sir.

Can the Federal Government help us or communities in our dilemma? Can you assist us in solving our problems?

And, two, have the communities such as the Brazosport area that are unable to support large or moderately sized airline operations been left out and been forgotten about in the overall air transportation planning?

On behalf of the Brazosport area, I respectfully request that in your deliberations on air service to small communities that you give the needs of the small extra-urban communities consideration, and also that in your considerations, if you could find a way to help us to solve our problems, we would like to rejoin the Nation's transportation system, sir.

Senator CANNON. Well, thank you very much, Mr. Deere, for a very fine statement.

Mr. DEERE. Mr. Chairman, if I may take 1 or 2 more minutes, I realize I am probably exceeding my time limit. In the conversation, in the testimony that I have heard over the last 2 days, and I have tried

to hear most of the testimony at the hearing, I heard of the experimental program that the CAB is requesting the funding for so they might go into it. For the consideration of the committee, in the drafting of such legislation, I am sure a number of communities such as Brazosport would hope that the committee would also consider a little different approach than perhaps is being asked for, and that would be if a community such as Brazosport were sincerely interested in having air transportation, that some provisions be written into the law that would provide for a matching grant type subsidy, much like the FAA has used in the development of airports, in order that a community might participate in a subsidy program to encourage air transportation to these smaller communities. We would hope that such consideration would be given.

Thank you very much for your time, sir.

Senator CANNON. One of your problems is that you have a one-city problem, it sounds as though to me, and it is going to be very difficult to find somebody that would, even under a subsidy program, offer service between yours and the major airport, which as you say, is some little distance away, without some other interconnection, because a commuter airline can't sit around all day with an airplane investment and fly two roundtrips a day between one pair of cities. This is why I asked you if you had explored with the Metro people whether they might extend their route down there and give you some sort of service. They might do it, particularly if you were interested in coming up with some kind of a subsidy assist, at least on a trial basis. I am not out plugging business for that company, but they are the one that is nearest to you and they already have a service going and they have the equipment. It may be with some sort of subsidy assistance from your community that they might be able to give you twice-a-day service, something on that order.

Mr. DEERE. Sir, we have explored with Metro the subsidy needs and while here again I can't speak exactly for Metro's figures, I think it would range from \$50,000 to \$100,000 subsidy to service our community. Certainly our community could come up with a portion of this as a community and we certainly would like to explore this and we think that this would be a way that the Federal Government could help communities simulate air traffic for themselves. We are working very closely with Metro.

Senator STEVENS. Let me make just one comment. We have a lot of small cities like this and I don't know whether it is legal or not, but I will tell you anyway. In terms of the percentage that a travel agent receives for writing tickets on the certificated carriers plus the assistance that a small carrier can get through having supplemental schedules published in a carrier's schedule and having teletype service and what not for reservations, it has been possible in Alaska to work out in very small communities a service that originates in a community of 5,000 and takes you through the international airport into the national airways, and they seem to be making money.

I don't know whether you have explored this, but there are some

arrangements whereby a percentage of the ticket that is written on throughout the rest of the country can stay in the community through the travel agent concept. I would urge you to check into some of that. If you want to come up, I will give you the names of the communities that have worked it out in a lot smaller places than you have.

Mr. DEERE. Thank you, I would like to have the information. Yesterday and the day before, I heard comments about communities that were loading as few as five passengers a day. We feel we can load from 15 to 30 passengers a day. But, that is with perhaps more than two roundtrip flights a day.

Senator STEVENS. You can fill an Otter twice then?

Senator CANNON. We have a vote on now. The committee will stand in recess until 2 p.m.

AFTERNOON SESSION

Senator CANNON. The committee will come to order.

The next witness is Mr. Michael Kushnick, representing the Manufacturers Air Transport Service.

STATEMENT OF MICHAEL G. KUSHNICK, ASSISTANT SECRETARY AND WASHINGTON COUNSEL, MATS AIRLINES, GREATER PEORIA AIRPORT, PEORIA, ILL.

Mr. KUSHNICK. Mr. Chairman, my name is Michael G. Kushnick. I am assistant secretary and Washington counsel for Manufacturers Air Transport Service, Inc. of Peoria, Ill.

Unfortunately, our president, Richard H. Willard, who had planned to appear before you today, was unavoidably detained on the west coast. Consequently, I will endeavor to inform you about MATS, how it is meeting the service needs of some of the smaller communities in central Illinois, and how it views the regulatory future of the commuter carrier industry.

MATS is an Illinois corporation with its principal operating base at the Greater Peoria Airport, Peoria, Ill. As a commuter air carrier, it has been engaged principally in the transportation of cargo since its inception on November 1, 1967.

It provides industry in central Illinois with air cargo services to and from O'Hara Airport for interline connection to the four corners of the world.

In addition, pursuant to contract with the U.S. Postal Service, MATS carries mail over four different routes connecting six Illinois communities with Chicago and St. Louis. Passenger services have heretofore been provided only on an occasional basis. Its present fleet consists of three Beech C-45's, two DC-3's, and three newly-acquired DeHavilland DH-114 (Heron) passenger aircraft.

From its inception in 1967 through the end of 1971, MATS has transported close to 13 million pounds of freight and mail. These operations have generated revenues of \$300,000 to \$400,000 annually, and a small net profit has been achieved in every year of operation.

Late last year new management brought to MATS a wealth of experience in passenger operations. As no commuter carrier presently provides passenger services at Peoria, MATS undertook, with the assistance of a well-recognized aviation consulting firm, a study of the air transportation requirements of Peoria and the surrounding central Illinois area.

As a result of this study, it was concluded that a sufficient need exists which is not being met by direct service on Ozark, the sole certificated carrier serving Peoria, to justify and support a Peoria-based commuter operation.

Initial schedules will provide Peoria with direct service to Davenport, Indianapolis and Minneapolis, which are now served only by connection via O'Hare.

It is anticipated that during the first full year of operation some 30,000 passengers will be carried over these routings and return to the company a small operating profit. Later operations will include Rockford, Gary and a service to Meigs Field, Chicago.

MATS has set a target date of May 15, 1972 for the commencement of passenger service from Peoria. The intervening months were, and still are being devoted to the problems of aircraft selection, crew training, scheduling, acquiring and improving ground facilities, instituting a computerized reservation system, and a myriad of other activities necessary to launch a substantial commuter service.

As a prospective new entrant into passenger operations, we are well aware of both the pros and cons of additional regulation. Even under existing procedures our efforts to begin passenger service have not been free from regulatory problems.

At the outset the principal commuter-type aircraft, Twin Otter and Beech 99, were considered for this service. However, these aircraft lack the amenities normally associated with modern air travel, such as a lavatory, comfortably sized seats and the ability for an average size man to stand to his full height.

Therefore, MATS, relying in part on the experience of other commuter carriers, decided upon the four engine DeHavilland DH-114 (Heron) as more adequately satisfying the desires of the traveling public, which at the same time fulfilling the operational requirements in the areas which manufacturers proposes to serve.

This 18-seat aircraft can be operated at 12,500 pounds. Nevertheless, MATS decided to invest \$50,000 per aircraft in additional navigational and safety aides and passenger amenities, such as toilet facilities.

This increased the maximum gross takeoff weight by 1,000 pounds, bringing the aircraft above the maximum permitted by part 298.

Consequently, an exemption was applied for some 2 months ago, was opposed by Ozark even though they serve none of the points directly, and still rests within the decisionmaking processes of the Board.

As an aside, an even longer delay has been experienced in connection with our efforts to obtain authority to operate DC-3 aircraft in all cargo service.

Furthermore, for intrastate routes, MATS must obtain, following a full hearing, a certificate of public convenience and necessity from the Illinois Commerce Commission.

On top of this we have been faced with innumerable procedural

obstacles from our own local airport board in obtaining counter, office, and gate space in the main terminal building.

It is, therefore, natural that MATS views the specter of further regulation with a somewhat jaundiced eye. We understand the desire of many for some sort of route protection—but not, in our view, at the expense of flexibility.

We must avoid a system which would require commuters to obtain a certificate prior to instituting new service, especially in markets not receiving direct service.

Such a procedure could realistically entail years of adjudication before a final award is made. Under such circumstances it would be impossible for most commuter carriers to sustain the wait either in terms of funds or in just holding its organization together.

It, therefore, seems to us that the concept embodied in the Commuter Air Carrier Act, H.R. 11043, provides a more workable basis to meet the desires of many in the industry for stability and route protection—and at the same time preserves the greatest degree of flexibility.

The decision as to certification rests with the carrier, rather than being mandatory. Those who want it could seek certification, while those who feel it unnecessary could continue under part 298.

Furthermore, we do not believe that certification should be automatic or on a “grandfather” basis for all who want it. The Board should retain discretion in determining when a market is too small to merit such protection or when it is sufficiently large to justify competitive service.

Where a certificate is granted we urge that it be of a limited nature and not impose upon the commuter carriers all of the reporting, tariff, and other burdens now imposed upon certificated carriers.

As a quid pro quo, the carrier would be limited to the operation of smaller type aircraft—hopefully above the 12,500 pound limitation now imposed.

In this context one other point deserves mention. That is a commuters carrier’s right to withdraw from the market. There seems to be a myth in many circles that an uneconomic market can suddenly become viable through the use of small aircraft with greater frequencies.

The experiences of innumerable commuters have shown that this is just not the case.

Consequently, after testing a new market and finding that it generates insufficient traffic, a commuter must be free to withdraw—even if he holds a certificate for such points.

If a carrier the size of even the largest commuter is required to continue serving losing markets, it won’t be long before these losses force the entire company out of business. We are just not large enough to sustain the types of losses being experienced by the regional carriers and still survive.

Finally, we urge that the FAA liberalize certain of its requirements for commuter carriers operating larger type aircraft. While I am no expert in this area, our operating and maintenance people assure me that there is a middle ground between parts 135 and 121 requirements which will more than adequately meet the needs for safety.

A new segment of the aviation industry is coming into being and the FAA must direct its know-how to evolving new regulations better suited to this type of operation.

In concluding we urge that whatever regulatory scheme this subcommittee elects to recommend that it not sacrifice the present flexibility of operations for route protection and security.

It is this flexibility, more than anything else, which permits commuter carriers to fill their vital role in the American air transportation system.

Thank you for this opportunity to be heard. I am, of course, available to answer any questions you may have.

Senator CANNON. Thank you very much, Mr. Kushnick. We appreciate your being here.

The next witness is Mr. Lester Geiss, editor and publisher of Commuter Airline World.

**STATEMENT OF LESTER H. GEISS, EDITOR AND PUBLISHER,
COMMUTER AIRLINE WORLD, FORT LAUDERDALE, FLA.**

Mr. GEISS. Sir, my name is Lester Geiss, Commuter Airline World, a publication that is primarily devoted to the commuter airline industry.

I appreciate the opportunity to appear here today.

I have filed a prepared text, but for the sake of brevity I will just skim through the salient features.

Senator CANNON. Your statement will be made a part of the record in full.

Mr. GEISS. Initially, I would like to comment on the CAB's proposed contract bid method which appears to me to be prolonging the situation that is now intolerable; it is also a proposal that has really unified the industry as it seldom has been unified against the proposal.

In doing a little research on the proposal, I find out it was based on a Ph. D thesis that was published in 1965 and reproduced in part in the Journal of Air Law and Commerce. The author of it is Howard Ralph Swaine.

Upon my arrival in Washington yesterday, I notice from this document, which I have seen for the first time, how a Ralph Swaine is a consultant to the CAB, and basically he has taken this 7-year-old idea and modified it and put it in here.

I think the problem of the commuters in serving the small communities is very simple. The Board's criteria for service of one round trip a day really isn't adequate, especially when it is at 3 in the afternoon and doesn't meet anything but the local service carriers own flight. It comes in at 3 in the afternoon.

I think the answer is for the Board to go through decertification proceedings on these low density routes and turn them over to commuters.

It is a matter of proven record that with greater frequency and better timing, that these areas are able to produce sufficient revenue. I think the best example of that is the Allegheny commuter system, where I think they average a minimum of four round trip flights a day.

None of these points were lucrative or even self-sustaining, I do not believe, to Allegheny. They seem to be for the commuter operating them.

The decertification process is probably a long one, but I believe it could be expedited if the Board so desired.

There are a number of State aviation officials that for purposes of ego rather than good service, prefer a certificated carrier to come in even though it is uneconomic and adequate service cannot be provided.

The communities that are receiving commuter service, I think, are fans of the commuter, because they find out it works a lot better for them.

I am also concerned with the situation between the Federal Government and the States.

I am thinking particularly where States have instituted route protection and other authorities, because they didn't exist.

In some of these areas, I am thinking now of Springfield, Ill., where there was a commuter operator and 30 years of service as an air taxi and commuter operator with no serious accidents, for some reason, his certificate was withdrawn by the Illinois Commerce Commission.

It was given to an operator who with five or six companies had a bad record with the FAA, a bad record as far as his financial responsibility was concerned, and in short order two accidents killed something over a dozen people.

The Illinois Commerce Commission now has a local service carrier flying the route. It never was a local service route. There is also a commuter in there.

I don't see how both of these can survive. The route was undeniably profitable for one. It is also a matter of record that local service carriers have not been able to operate commuter type aircraft profitably.

The down time, the completion factor and the cost of operation—and I am not counting just pilot salaries—has been extremely high.

I would also like to touch on a matter of safety.

The Senator in questioning the ALPA representative this morning said he was under the impression that the FAA was upgrading the safety regulations and requirements for commuters.

I think this is true. Last December I called 30 commuters and asked them if they thought that in fact the FAA's requirements were below what now prevails among commuters.

And we have proposed that the FAA require ATR pilots for commuters—I understand this is under consideration—we have also proposed that financial responsibility be established, that in new operations a type of screening for management in the same manner as a 121 operator be implemented.

I believe if this had been the case in the Chicago Southern operation, we might not have had two severe accidents, with all those fatalities.

There is really no lessening of safety in the commuter aircraft or less safety than in a 121 aircraft. The certificated airline pilots who are members of ALPA are flying Twin Otters and Beech 99's with basically the same radio equipment and navigation equipment as the commuters are.

In commenting on single engine and twin engine, and single pilot and two pilot operations, there is no route substitution operator as far as I know operating single pilot. It is also, I think, very confusing to intermingle air taxi and commuter.

It is really not the same operation, although they do operate under the same authority. There are differences of definition. There is no commuter aircraft with ten or more passengers currently allowed to fly single pilot. There is no mail carried by air taxis or commuters, single pilot.

Senator CANNON. You say there is no mail carried—

Mr. GEISS. My impression is, sir, that the mail contracts require two pilots.

Senator CANNON. That may be the case. I know until not long ago there were single pilots flying some of those mail contract routes.

Mr. GEISS. Senator, you may be right. I know of a number of mail operators and flying Beech 18's.

Senator CANNON. The reason I happened to become acquainted with it was because an airplane crashed and the pilot was killed and it was one of the mail carriers.

Mr. GEISS. I don't know. It may be. There are very few, if any. I know a number of 18's carrying mail and they are two-pilot operations.

Also, in measuring safety, you have to consider the fact that almost all accidents happen on take off and landings.

Some of these commuter planes, most of them are doing take off and landings every 20 to 30 minutes.

In that context, the safety record of the commuters compared to the scheduled carriers is extremely good.

In closing, Senator, I would like to say if the Board decides to turn over some of these routes to commuters, it requires some type of certification which you have already heard about, it requires some type of route protection, and also I believe without being too familiar with the law, there must be some preemptive Federal authority in the area.

I think we now have overlapping authority in the same area. I understand that in the State of Pennsylvania one certificated carrier has two different rates over the same route, one if it is interstate, they figure the mileage differently the other way because of the State of Pennsylvania.

I think this is an area of concern.

Thank you very much, sir.

Senator CANNON. I don't quite understand that last statement, although I am aware of the fact that a number of States do regulate where the CAB doesn't come in, the theory being first that it is strictly intrastate and that they don't offer any connecting or attempt to make any connecting services available.

For example, I am thinking now of the San Francisco-Los Angeles commuter, PSA. But I didn't realize that they might have a double problem of the Federal Government regulating the same company over the same route that the State is regulating.

Mr. GEISS. Allegheny Airlines tells me they have two rates. Of course they are not operating jets in the State of Pennsylvania. But they tell me there are two different rates, one established by the State and one established by the Federal Government.

If they have an interstate flight over the same area, rates are different.

In the case of the Illinois Commerce Commission, they awarded a route without regard to the operator's capability and then said safety is not their problem because it is the FAA's problem.

The result was inevitable. I wrote a letter to the FAA when the airline first got the route, which was months before the accidents, and said it was an accident waiting to happen.

Senator CANNON. What was the nature of the accident?

Mr. GEISS. Well, they had two, sir.

They dropped a modified Beech aircraft, and in one accident they killed 15 or 16.

Then they had another one going into Peoria. I think their maintenance was bad. They didn't pay their bills. I don't know what the reason was. The first thing that suffers is maintenance on airplanes.

I think anybody carrying people ought to have the financial capability to run a safe operation.

Senator CANNON. That is one of the big arguments that is made, that if an operation gets in difficulty and they are not very closely regulated, the first area that may suffer may be in the area of maintenance.

Mr. GEISS. I don't think there is much question about that. The industry has to a great extent stabilized. Two years ago I wasn't sure there would be much of a commuter industry left. There wasn't any management in the industry, because there was no place for the management to come from.

Management from a trunk carrier just didn't work here. You don't have wall-to-wall carpeting, vice presidents and everything that goes with it. You have to be hungry in this business to make it work.

Otherwise, we had people to come in just to make a quick buck. We had some beautiful bankruptcies. We had two franchises, one of them went through \$8 million in short order. We had another one that didn't go through \$8 million. The other people were smarter. They were able to. We have had some losses by honest people who just didn't know the business.

I think to a great extent now the industry has developed good management. Most commuters are making a few bucks, which is a long way from the monumental losses that they have had, and some of them are making a pretty good living, with no subsidies.

Senator CANNON. You say there is a difference between the air taxi operator and the commuter. You write a magazine design that a lot of them use. What is your definition of the difference between an air taxi and a commuter operator?

Mr. GEISS. My definition is one that flies a schedule, whether there is people or not, at least the two round trips a day.

Senator CANNON. That would be the commuter, and the air taxi operator is not necessarily flying a schedule, he is just flying a similar type aircraft?

Mr. GEISS. Yes, sir. Not too many air taxi operators are flying Beech 99's or Twin Otters.

There are some people who call themselves commuters, by their definition; if someone wants to fly, they will fly. Commuters, if they have to, fly empty airplanes, because their schedule says they are going to fly at that time of the day.

Senator CANNON. Thank you very much, Mr. Geiss.

I appreciate your being here.

(The statement follows:)

STATEMENT OF LESTER H. GEISS, EDITOR AND PUBLISHER, COMMUTER AIRLINE WORLD, FORT LAUDERDALE, FLA.

I would like to preface my remarks today with an expression of appreciation for the capability, dedication, integrity and patience of the Civil Aeronautics Board.

My lack of enthusiasm for the Board's proposal for an experimental contract bid method of supporting and selecting carriers to provide small community air service does not represent a dilution of my appreciation for the Board's efforts, but only a difference of opinion.

The problems associated with providing scheduled air service to small communities are not lessening but becoming more critical. Public convenience and necessity demands answers now and procrastination under any guise should not be tolerated or be sanctioned by the Committee.

The contract bid method is, in my opinion, putting off until tomorrow or next year or the year after, action which should be taken now. The idea for contract bid is an old one which has been around for sometime. Certainly there is no reason for extracting it from the archives, dusting it off, and offering it for consideration now.

Under the title "A Proposal for Control of Local Service Subsidies," the so called bid idea appeared in print in Volume 31 of the Journal of Air Law and Commerce in 1965. The article by Howard Ralph Swaine was derived largely from the author's Ph.D. dissertation and represents an academic solution to a real and pressing problem. The article, with modifications, is very similar to the proposal made by the CAB and now being considered by this Committee.

I will not impose on the patience of the Aviation Subcommittee by pointing out the deficiencies of the contract bid method. I imagine witnesses who have preceded me have attended to the matter.

The fact is there is a better method of solving the problems of air service to small communities. First, we must face the fact that some communities which cannot economically support scheduled service may not be entitled to consideration. Specifically, I refer to communities situated an hour away via good roads from a major airport.

Other communities which desire the services of certificated carriers would be far better served by commuter carriers. The simple fact is that in numerous instances local service carriers have outgrown the feeder function they were born to perform.

It is not uncommon for local service, in some cases, certificated carriers, to provide low density communities with a single flight a day at a time, say 3 o'clock in the afternoon, which is not convenient to the traveling public and frequently does not connect with anything but another flight of the same carrier.

I disagree with the Board's criteria that one round trip a day constitutes scheduled air service. The slighted communities would be better served by a commuter with smaller aircraft, greater frequency and better timing.

The certificated carriers cannot be blamed for their activities in the smaller communities. Of necessity they must utilize their aircraft over high density routes during peak hours when load factors are high and serve the smaller communities at off peak hours. The flights with 80 percent load factors must be attended to in order to afford the flights with 10 and 20 percent load factors.

Some local service carriers have attempted to solve the problem of serving smaller communities by utilizing commuter type aircraft. The results have not been encouraging. Certificated carriers lack the necessary perspective to efficiently and economically operate commuter aircraft. One local service carrier tried and abandoned such a project. A second local service carrier is currently operating light aircraft and I would hazard the guess that its costs are significantly greater than those of a commuter carrier utilizing the same aircraft.

Another local service carrier recently inaugurated service over a subsidy ineligible route and reports indicate that the down time of the aircraft has been so great that no commuter could afford the operation.

What is the solution? I propose that the Board pursue decertification proceedings in areas where certificated carriers are not providing adequate service. Many of these same communities will support a commuter carrier without subsidy. In some remote areas where the public and convenience and necessity calls for scheduled air service but where the traffic cannot support a carrier of any type, subsidy is certainly in order. And subsidy for a commuter would cost considerably less than subsidy for a certificated carrier. It is even possible that the sub-

sidy may be administered by a local service carrier provided it did not hamper the flexibility of the commuter to render the best possible service to the community.

I realize decertification proceedings may be long and laborious, but I also realize if the will is present the Board can expedite the process.

The commuter carriers also need some type of certification and accompanying route protection. Both are necessary for the commuter to achieve the necessary economic stability to perform.

Because of a lack of route protection in the past, some of the states have stepped in to fill the vacuum. New legislation should define and make clear the primacy of the Board's jurisdiction in both interstate and intrastate commuter air traffic.

Not too long ago, for reasons not clear to me, the Illinois Commerce Commission revoked the authority of a commuter with an enviable record, established over 30 years, to provide service between two Illinois cities. The operating authority was in turn issued to another commuter carrier with an unenviable record and with the inevitable result: over a dozen lives were lost in two aircraft accidents. The same Commission then turned the route over to a reputable commuter operator and a local service carrier flying commuter aircraft. There is not enough traffic to support both carriers. The air transportation system should not be segmented but remain under Federal control.

The commuter industry has matured and serves a vital function in our national transportation system. The promoters, the fly-by-nights and the dreamers have to a large extent been washed out. Those who remain are solid citizens of the community. They have learned their business well and should not live in fear of competition over routes they developed. Competition which not only has little chance of surviving but poses a very real threat to the existence of the original operators who cumulatively have invested tens of millions of hard earned private dollars in developing a viable commuter transportation industry.

Senator CANNON. The next witness is Mr. Lawrence McCabe, commissioner of aeronautics, State of Minnesota.

STATEMENT OF LAWRENCE McCABE, COMMISSIONER OF AERONAUTICS, STATE OF MINNESOTA, LOCAL AIRLINE SERVICE ACTION COMMITTEE; ACCOMPANIED BY ALBERT F. BEITEL, COUNSEL; JAMES VANCE, PRESIDENT; AND ROBERT WURST, CITY ATTORNEY OF THIEF RIVER FALLS, MINN.

Mr. McCABE. Mr. Chairman, my name is Lawrence McCabe, and I am the commissioner of aeronautics for the State of Minnesota.

The people of Minnesota have been concerned for some time over the erosion of scheduled air service throughout the country. The citizens were so concerned about this problem that they established an organization called local airline service action committee, commonly known as LASAC.

I have with me Mr. Beitel, the legal counsel for LASAC, Mr. Robert Wurst, who is the city attorney for the city of Thief River Falls, and a vice president of LASAC, and Mr. James Vance, who is the publisher of the Daily Globe in Worthington, Minn., and who is also the president of LASAC.

With your permission, Mr. Chairman, we would like to have Mr. Vance present our statement.

Senator CANNON. Yes, sir.

Mr. VANCE. Mr. Chairman, members of the committee, I am James Vance of Worthington, Minn.

My principal occupation is publisher of the Daily Globe.

Today, I appear in my capacity as president of the local airline service action committee, an informal group representing small- and

medium-size cities across the country concerned with the adequacy of their air service. LASAC was formed in 1964 to oppose the erosion of airline service to smaller communities.

Over the years scheduled air service to small cities has deteriorated for years. Your committee can do two things:

1. Set policies suggesting appropriate action for Federal agencies under present law.

2. Initiate changes in the law.

If firm directions come out of your hearings, long-needed remedies can fast begin to work.

I am here on behalf of the local airline service action committee (LASAC), speaking for small- and medium-sized cities whose economic life depends on linkage by air with the jet mainstream. Large cities are equally affected; they live by the flow of commerce from the smaller.

Since 1964, LASAC witnesses have come to protest against the deterioration of air service. Today, it is not enough to keep the present airline points on the map. We are concerned also with communities now without service and urgently in need of it.

There has been no systematic approach or any long term plan or policy. Decisions on air service—whether to give it, downgrade it, or remove it—have been made point-by-point with too little regard for the needs of a region or of the Nation.

Your committee can cut through this confusion by insisting on a system plan that will identify the points to be served. This can be done under existing law without added cost.

First, let me say that today's problems are due to no failure of Congress. Congress gave status to the local service airlines in the 1940's as a new class of carriers for the express purpose of creating shorthaul networks feeding into the longhaul routes of the trunklines.

The certificate of each local airline says in plain words:

It is in the public interest to establish certain air carriers who will be primarily engaged in shorthaul air transportation as distinguished from the service rendered by trunkline air carriers. In accepting this certificate, the holder acknowledges and agrees . . .

Since the 1950's, the locals have drifted far from this role. The trouble started when their old DC-3's no longer could serve economically. In 1957, Congress granted loan guaranty to retire these World War II planes. But instead of developing new aircraft for their assigned job, the locals bought jets unsuited for short hops and light traffic, and too big for many of the airports.

To help pay for the jets, the Civil Aeronautics Board gave the locals long routes to compete with the trunks to the injury of the latter without much help to the locals. To reduce losses and subsidies, the locals tried to shed their low-traffic points, abetted by CAB's use-it-or-lose-it policy by the FAA-CAB idea of single-airports for adjacent cities.

These policies were abandoned after LASAC protests were backed by concerned members of Congress. Then the local airlines found a new way to pull out of their losing points, with CAB's blessing, by letting commuter air carriers substitute. Some 80 pairs of certificated points now are thus served. These market pairs involve 100 cities.

Where the local airline takes a strong hand in helping the substitute make good, as in the case of the Allegheny commuters, the more fre-

quent flights by light planes can be better accepted than infrequent trips by jetliners.

But, the smaller planes, as stated in past LASAC testimony, are a downgrading of service. The commuter lines are unstable. There have been many failures. Now the National Transportation Safety Board is so concerned over their safety as to have ordered a major investigation nationwide.

No more substitutions should be forced on American communities until something is done to assure safety and competence. Of 520-odd certificated airline points in the United States, about half depend on local airlines and are not served by trunklines. I urge that your committee call a halt to deletions and transfers.

It is time to declare that scheduled air transportation is an economic necessity. Every 10 years, the U.S. census shows that population is declining in hundreds of rurally oriented counties, especially in the midwestern heartland, and gaining in big cities.

Scheduled flight is a means of checking this flow. City after city has held its own or moved ahead through air service that attracts employment-creating industry. Each family that is displaced from a small city, and goes on relief in a big one, will cost the taxpayers upwards of \$2,500 a year in direct welfare and larger sums in public service—schools, police, sanitation, and housing—that must be provided.

I might point out that this \$2,500 figure is a modest estimate of the real costs of urban poverty.

Keep a family employed in smaller communities and the saving is immense. The adverse economic impact on the Nation and the large cities can outweigh the cost of keeping a city on the airline map. It is shortsighted to judge scheduled air service merely on airline and subsidy balance sheets without giving weight to human needs.

When national policy is stated in these terms, the next step is to decide where air service is most essential. This is a matter of system planning.

The Airport and Airway Development Act provides \$15 million a year for planning, to be matched by a third as much in State and local money. Such grants are to be used for master plans for airports and also for statewide aviation system plans.

In the State plans, it can be decided what cities most need air service, including points now served and some that are not. This is quite within the scope of the law but it is not being done.

The planners should consider such factors as accessibility to existing airline fields and the adequacy of ground transport. With rail passenger trains gone and bus service reduced, many communities are isolated. Aviation is the best answer in many cases.

In my own State of Minnesota, we not only want to be sure that no present airline points are discontinued but we have blank spots where cities unserved are in need of linkage with the larger centers. For these needs to be officially recognized, we need a State system plan that will fit into broader plans for the region and for the whole nation.

There is a national airport system plan being developed by the Federal Aviation Administration which will list airports and projects eligible for funds.

CAB should make a list of cities that require scheduled air service and give each a certificate of essentiality. Those now served thus will have a secure future and those without service will be in line to get it.

There is unused authority for the Civil Aeronautics Board to work with the States to this end. Section 204(b) of the Federal Aviation Act reads as follows:

The Board is empowered to confer with or to hold public hearings with any state aeronautical agency, or other state agency, in connection with any matter arising under this Act within its jurisdiction, and to avail itself of the cooperation, services, records, and facilities of such state agencies as fully as may be practicable in the administration and enforcement of this Act.

While CAB often has dealt with the States informally, the close cooperation that the law allows has not been effectively used. In view of the trend of Federal policy to place more responsibility with the States, the way is open.

Another step that can be taken now is for the Department of Transportation to aid in providing transportation for small cities as well as large. Other departments that deal with urban areas also can help on the premise that halting the flow of people out of the smaller cities will help check an unhealthy growth of the larger cities.

Still another step is for the Civil Aeronautics Board to decide the question of a higher weight limit for air taxi aircraft and thus settle uncertainties that make it hard to plan.

At this point, I have completed the first part of my statement, on what can be done under existing law. All the foregoing can be set in motion if your committee so directs after these hearings.

To summarize:

A. A firm policy can be set, to recognize the overriding necessity for air service to small communities for reasons affecting the Nation's economy.

B. System plans can be made by States and regions, to decide which cities most need scheduled air service.

C. The Civil Aeronautics Board can hold formal hearings with the States to give such cities ratings of essentiality in a national plan.

D. Department of Transportation and other agencies can figure transportation projects for small cities as well as large.

E. The question of air taxi weight can be decided.

If these steps are taken immediately, sound plans will be ready, to make the most of any changes in the law that may follow. Action must not wait for laws to pass. The time to begin is now. Indecision has continued too long.

When it is determined which cities are to be served, there comes the question of who serves them. Since the local airlines are certificated to meet the needs of their regions, all possible effort should be made to get them to do the job.

Permit me to pause there to say, if there is any main thrust to my testimony here today, it is the sentence that I have just stated. The local airlines are certificated to meet the needs of their regions and all possible efforts should be made to get them to do the job.

Where this is not feasible, there should be quick procedures for commuter air carriers to take over. But the locals should continue to have backup responsibility on the route segments for which they are certificated.

Great areas of the country may be involved. Commuter line substitutions thus far are mainly in the East, within the systems of Allegheny and Northeast Airlines. Elsewhere, airline pilots have resisted substi-

tutions that would reduce their flight time. But there are many low-traffic points where the cost of enplaning passengers is high.

The fare structure of scheduled air transportation also affects air service use at smaller communities. Generally speaking, the cost of living is lower in the smaller communities, and I might add, so is earning power. But, air transportation costs more per mile for short distances than for long distances.

The airlines rate is based on a \$16 terminal charge plus a rate per mile. The rate per mile decreases as the mileage increases. Consequently, the terminal charge forces the short-distance traveler to pay more per mile than the long-distance passenger. I pay a higher rate per mile to travel from Worthington to the Twin Cities than a Twin Cities-Los Angeles passenger pays, for example. Attention to this matter is required.

New legislation which the committee is considering is needed for two reasons: to insure responsible performance by commuter air carriers and to give them incentives to take the responsibility. The Pearson bill (S. 796) goes in that direction.

The bill would also authorize a limit on the size of aircraft used by the limited class, a regulation which the Civil Aeronautics Board is not authorized to apply to the certificated airlines under existing law.

I would like to see this measure spell out more in detail just how CAB is to set up this class of carriers. The old system of proving public convenience and necessity by detailed procedures is too long and costly. On the other hand, some minimum qualifications are needed. Congress should not leave this altogether to Board discretion.

The wisdom and foresight of the Board, in view of the record we have outlined, leaves much to be desired. I am not impressed with the CAB Chairman's proposal to offer a few experimental contracts by competitive bids in a 3-year experiment. Broader solutions are needed now. Such bidding nearly bankrupted the pioneer airlines in the 1930's. There is no incentive to bid on losing points with no tenure.

For a commuterline to succeed, it must have some route protection against cutthroat competition and must have subsidy for the loser points. Whether the subsidy should be paid directly or channeled through the local airlines is a question.

It seems to me that the issues are too complex and opinions too divided for us to expect adequate legislation at this session of Congress. But I hope your committee will set guidelines that will point the way to action as early as possible next year.

Guidelines are needed also for development of new aircraft. There never has been a DC-3 replacement. Some more economical and efficient aircraft types are needed: (1) a replacement for the Convairs and the Fairchild F-27's in the 60-seat range; and (2) a commuter plane in the 25-seat range.

I hope your committee will stress the urgency of Federal aid in developing prototypes for such service. The commuter plane is especially important to smaller cities that cannot be served economically by larger aircraft.

As commuter air carriers and air taxis are held to the old arbitrary maximum of 12,500 pounds of gross takeoff weight, they are limited to planes of some 18 passengers. With these, it is difficult to break even or to give good service.

The CAB examiner's finding that the limit should be raised to a maximum of 30 passengers or 7,500 pounds payload is under review by the Board. This should be settled. We can then develop new aircraft useful for local airlines as well as for commuter lines.

How can development be encouraged and speeded? Federal aid for prototypes would be inexpensive as compared with larger craft and is an investment that can bring great returns. Proposals have been made also for loan guaranty of financial aid for commuter air carriers to purchase such craft and put them into the service of America's small cities.

Summarizing again, new legislation and appropriations are needed for:

A. Creation of a class of air carriers to fly aircraft of limited capacity.

B. Aid in the development and financing of new and more efficient aircraft, especially in the local and commuter classes of some 60 and 25 passengers, respectively.

Meanwhile, I urge that your committee demand immediate action on the steps that can be taken under present law.

Thank you.

Senator CANNON. Thank you very much, Mr. Vance.

Do any of you other gentlemen have anything to add to that?

Mr. McCABE. No.

Senator CANNON. We appreciate very much your being here with us.

The next witness is Mr. Andrew Peabody, South Central Air Transport, Inc.

STATEMENT OF ANDREW PEABODY, SOUTH CENTRAL AIR TRANSPORT, INC.; ACCOMPANIED BY ANDRE FARISH, PRESIDENT

Mr. PEABODY. I am Andrew Peabody, director of Marketing of South Central Air Transport, Inc.; also known as SCAT Airline, and I have with me André Farish, who is president of the company.

South Central Air Transport operates routes at present between New Orleans and Baton Rouge, La., and Jackson, Natchez, McComb, Bay St. Louis, and Gulfport, Miss. SCAT is not subsidized in any way by any authority or government or other airline.

SCAT serves two communities, Bay St. Louis and McComb, exclusively, and shares routes with another commuter to Biloxi-Gulfport as well as a local service carrier to Gulfport, Natchez, Baton Rouge, and Jackson.

SCAT was started a little over a year ago because it was felt that adequate service was not being provided by the local service carrier between Natchez, Jackson, and New Orleans.

The local service carrier had in past years reported over 600 passengers per month out of Natchez during certain months, but this number had dropped to about 260 when SCAT commenced its operations.

The reason for the drop we felt was lack of morning and evening flights to Jackson, New Orleans, and Memphis, the three metropolitan areas where connections could be made on to other parts of the country, as well as the businessmen who naturally would like to do business in the trade centers of our area.

We felt that by providing reasonable fares, sufficient flights, and good connections to other areas with the local service carriers and trunk carriers, we could operate without subsidy and make money.

We operated a DeHavilland Twin Otter, then went to a Britton-Norman Islander. We now operate two Islanders and own four Handley-Page Jetstream aircraft that we intend to start operating shortly. These are pressurized jet-prop aircraft with standup room and large enough to accommodate 21 passengers and a stewardess, pilot, and copilot.

We felt that in order for SCAT to provide the proper service to the people in its market area, that SCAT must fly routes to the three major connection points; that is, New Orleans, Jackson, and Memphis.

Our premise for doing business is to take care of our customers' needs, and since we consider our customers to live in the smaller cities, we fly them to the major hubs in the morning and return them each evening or night to their home cities.

The local service carriers in our area have been trying to serve the major cities primarily, and have left the small cities out in left field regarding scheduling. They have hinted that they would drop the small cities from their schedules completely when they convert to larger aircraft.

Their purpose would appear to be to provide transportation between such cities as Memphis, Jackson, Mobile, and New Orleans with DC-9's and eliminate the smaller cities in between. This is the natural thing for the local service carrier to do, and it should be promoted by the CAB and by the Congress. The locals can make money on these routes and would not need to be subsidized.

The commuter, on the other hand, and SCAT in this case, has set out to provide service from the smaller cities to these major cities where connections are available with the locals and trunk carriers.

We feel that the commuters should be awarded subsidized routes wherever they are operating with no competition from local service carriers to any major city. Where competition does exist with a local service carrier, then after 12 months of operation of that route, the commuter should be granted one-half of the subsidy already in existence for that city.

The subsidy recommended for a city served exclusively by the commuter should be paid on the basis of a guarantee of a certain minimal number of passenger seats, depending on the size of the community and the aircraft in use. This should proceed over a period of 3 years and work as follows:

If McComb were subsidized under this plan, we would request two seats be paid for under the subsidy arrangement on each flight to and from McComb and Jackson or New Orleans. If two seats were sold on a certain flight, then no subsidy payment would be made. If five were sold on one flight and none on three flights, then only one subsidy seat payment would be made.

The seats sold and subsidy seats would be cumulative for each month, so that all the seats sold at the end of each month would be deducted from the subsidy seat total to arrive at the net subsidy each month.

We believe that this would be a low-cost method to provide airline service to the smaller cities, and that no subsidies would be needed at the end of the third year unless strikes or some such cause would

create a need for additional short-term subsidy payments, because the passengers would be well educated to this means of travel by that time.

If prior to or at the end of this period the airline service is not well utilized, then the CAB and the airline should be mutually able to revoke the subsidies and the airline service.

We feel that if the local service carriers would concentrate on the larger cities as they have been doing, and would relinquish the token service to the small cities, then both the second level and third level carriers would become healthy, viable companies, supporting each other in the manner that each does best.

Where competition exists between the locals and commuters between major cities, the commuter cannot survive unless he provides better service and tailors his schedule to fit in between the other carriers' flights.

Since no subsidies are considered for these flights, both the locals and the commuters should compete on the basis of schedule and service only to the ultimate satisfaction of the consumers or passengers.

We feel that the commuters should be allowed certificates of necessity and convenience on a voluntary basis, that the certificates should not be mandatory. The commuter should be allowed to develop his markets between cities without having to get a certificate of convenience from the CAB, then after deciding the route is worthwhile and is viable, the commuter should have the choice of asking for a certificate to receive route protection, or giving up the route if it does not prove viable.

We believe that the CAB is the proper authority to regulate the entire airline industry, because the CAB considers the large market areas while the State regulatory commissions are apt only to consider the needs within the States.

For example, in our area, our major cities are Memphis, Tenn., Jackson, Miss., and New Orleans, La. If the State aeronautical commissions in these States were given more controls, as they appear to be asking for in North Dakota and Montana, then political footballs would develop in each State, and the airline industry would be faced with bureaucracies in all 50 States.

A situation could develop that would soon bring the airlines to a point of such frustration that no progress could be made. The CAB should be the only controlling and regulatory agency of the airlines at all three levels.

It has been stated that the commuters should be limited in the future to aircraft under 12,500 pounds by the representative for ALTA.

He further states that no aircraft are available in the 30 passenger or 7,500 pound useful load categories.

We would refute this, for there are several aircraft now available and soon to be available in this category. Some of these that are presently available are the Fairchild F-27, the Hawker-Siddley 728, the Handley-Page Jetstream to name a few of the aircraft presently available.

Aerospatiale of France will have a 28-seat version of the Falcon Jet available within a year or two, the Russian Yak 40 is available now and is specifically designed for short-hop commuter flights with 28 or 30 seats.

Furthermore, we feel that no equipment limitations should be set for the commuters, just as no limitations are set now for the local and trunk carriers. One commuter may need to use DC-3's while another may need to use Islander. To tell the commuters that they must use this type aircraft and not that type is pure discrimination, for it is not only hurts the commuter in his operation of his own peculiar routes, but it makes the commuter thought of as a second class air carrier by the traveling public.

The commuter should have the right to fly whatever aircraft suits his needs best, and if he operates an aircraft that is too large for his market, then he should take the consequences. After all, anyone who has gone into the commuter airline business has taken a huge business risk. If he survives his first year, he should be given credit for having some business sense and should therefore not have to have the CAB or some other agency make his business decisions for him.

Thank you very much.

Senator CANNON. Thank you very much, gentlemen, for a fine statement.

That concludes the witnesses.

The hearing record will remain open for submission of additional data we have requested from some of the parties.

The committee will now stand in recess to April 25 on another matter.

(Whereupon, at 3:07 p.m., the hearings were adjourned.)

STATEMENT OF DEE MARTIN CALLIGAR, VICE PRESIDENT, F. S. SMITHERS & CO., INC.

I am Dee Martin Calligar, Vice President of the investment banking firm of F. S. Smithers & Co., New York City. I appreciate the opportunity to testify in support of S. 2741, the aircraft loan guarantee renewal bill. I am fully conversant with the aircraft loan guarantee legislation (P.L. 85-307) as enacted September 7, 1957 since I have been deeply involved with airline financing for some years before that date and continuing to the present date. For many of those years I represented, as counsel, many of the large commercial banks and insurance companies and other institutional lenders in the financing of local service and trunk air carriers and for the past several years I have acted as investment banker in structuring and placing numerous airline financings.

It is on the basis of that experience that I feel confident in stating that the proposed legislation would be helpful to the carriers to whom it would apply and, indeed, may be of critical and compelling assistance to many of them. The underlying legislation, as extended and enlarged, is no panacea—it will not immediately and dramatically turn a financially distressed air carrier into a profitable venture whose debt obligations will be covetously sought by the investment community. It will, however, enable those carriers who need and warrant the assistance that guaranteed loans would provide to purchase, and/or refinance at less effective cost or more favorable terms and conditions, prior purchases of aircraft which more economically can be utilized in serving the communities that depend on air transportation services.

I fully endorse the raising of the dollar limitation on guaranteed loans to any single air carrier to \$30,000,000. Current economic conditions require this modernization. For the program to be effective in the present and near term future the air carriers should be allowed enough latitude in determining, with its lenders, the dollar size of its equipment purchases as will have a meaningful effect on its ability to operate profitably and, hopefully, on a reduced subsidy basis.

I believe that of equal and, perhaps, greater importance is the provision which will allow for less burdensome administrative procedures than now apply to the law. In my view, the guaranteed loan program would have been much more successfully employed had not its administration severely hampered the efforts of the carriers and the lenders in working out the terms of the loans. While

the government should be protected as a guarantor of a loan, it should be willing to rely upon the expertise and judgment of the lending bank in negotiating the terms and conditions of the loan and administering the compliance by the borrower of the loan agreements and covenants. The lending institution should have the right and the responsibility to determine the form and content of the financing documents and to oversee the operations of the borrower thereunder. Lending institutions are geared up to do just that. They should not have to review with and get the permission of the government before they take whatever steps they deem appropriate in the routine of administering the loan at the peril of losing the benefits of the guarantee. So as not to continue to inhibit the use of the guaranteed loan program, a less burdensome control by the governmental agencies must be instituted.

I also want to recommend that the proposed legislation be amended to increase the limit on the guarantee from 90% to 100% of the loan. I know of no justification for the present arbitrary limit. If the conditions of the air carrier seeking a guaranteed loan are such as to compel the use of the guarantee, it should be for the full amount of the loan. The short-fall in the past has served only to impede the use of the program to the detriment of the local service carriers.

I respectfully urge adoption of S. 2741, as modified as indicated above. Thank you for your consideration.

