

to directly subsidize reasonable airport operating costs in return for the commerce attracted to the community. Second, the fact that most airports' fees are governed by their comparability to those charged by others, rather than being based upon the airports' factual operating expense.

Long-term self-sustaining airport operation depends upon achievement of that necessary traffic level which will recover the airport's expense through the assessment of reasonable user fees. Throughout the Nation there exist the "haves" and "have nots." Self-sustaining airport operations appear possible through assessment of appropriate user fees at most major terminal cities. Should Federal-aid cease to such airports, it is generally believed that the communities would exercise the wisdom necessary to continue their airports by adjusting such fees as necessary. Such airports are few in number, as illustrated by the fact that only five major airports accommodate nearly 20 percent of all airline flights. More critical is the question of whether the thousands of other communities can or would respond financially.

It is highly unrealistic to expect large public facilities to collect user charges exceeding the sum of prorated operating and capital costs. In those instances where privately owned facilities are operated on a self-sustaining basis with reasonable return on investment, it can usually be expected that there is some attracting force which establishes the level of demand. This may be superior service or even nonaviation related activities.

Under the Federal Aid Airport Program (FAAP), the Federal Government shares in the costs of land acquisition and construction for certain limited basic operational facilities and safety related items (namely, runways, taxiways, airfield lighting, service equipment buildings, etc.). The funds for FAAP are appropriated out of the general tax resources. For State and local governments, general tax resources and general obligation borrowings are used.

A large percentage of airport development projects has been accomplished based on local bond issues. The credit standing of local agencies, coupled with income tax exemptions for bond purchasers, have made this form of capital financing attractive. In addition, there has emerged a requirement on the part of local taxpayers to insist that airport development be financed by revenue bonds. Without the pledge of the total resources of the community, investors and purchasers of these bonds require evidence that the projected revenues to retire the bonds are reasonable and attainable. Moreover, to make such bonds marketable it is frequently necessary to encumber the airport with obligations to the bondholders relative to operating practices, rates and charges, etc. It is noteworthy that in some instances the principal users (airlines) have agreed to higher landing fees (user charges) in order to make the financing of much needed airport expansion attractive to bond purchasers, and to help sponsors raise their 50 percent share of funding under the FAAP.

C. TRENDS OF CAPITAL OUTLAYS

ANNUAL TRENDS

Annual expenditures for airport facilities constructed in place are indicated in table VII. The trend of expenditures is shown as a percentage change from year to year. Prior to 1952, amounts were