

STATEMENT OF OSCAR BAKKE, ACTING DEPUTY ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION; ACCOMPANIED BY NATHANIEL GOODRICH, GENERAL COUNSEL

Mr. BAKKE. I have with me Nathaniel Goodrich, General Counsel of the Federal Aviation Administration.

I have a very brief statement I would be happy to summarize for the committee. I would like to submit a copy of my full statement for the record.

The CHAIRMAN. Your full statement will be placed in the record at this point.

(Mr. Bakke's prepared statement follows:)

STATEMENT OF OSCAR BAKKE, ACTING DEPUTY ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION, REGARDING THE EXTENSION OF THE AIRCRAFT GUARANTEE LOAN PROGRAM

Mr. Chairman and members of the committee, My name is Oscar Bakke. I am Acting Deputy Administrator of the Federal Aviation Administration. I appreciate this opportunity to appear before you today in support of H.R. 13141 and H.R. 13047 and the version passed by the Senate, S. 2499. These bills revive and extend until 1972 the Act of September 7, 1957, which authorized the Secretary of Transportation to provide Government guarantee of private loans to the local service and certain other air carriers for the purchase of commercial transport aircraft and spare parts. This legislation expired on September 7, 1967.

The loan guarantee law was originally enacted in 1957. At that time new aircraft were being developed which it was felt would be more economical and efficient, and better adapted to the needs of the local service carriers than the DC-3 which was then commonly in use. It was apparent, however, that many of the carriers would have found it difficult or impossible to obtain new aircraft without some kind of Government assistance. The Civil Aeronautics Board suggested, therefore, that legislation be enacted which would permit the Government, under appropriate conditions, to assist these air carriers in acquiring new equipment by guaranteeing private loans negotiated by the carriers for the purchase of such aircraft. Legislation to implement these recommendations was enacted on September 7, 1957, as Public Law 85-307. That enactment provided for termination of the Program after five years. An amendment to the measure enacted in 1962 (Public Law 87-820) extended the program to 1967 and placed the responsibility for its administration in the Secretary of Commerce. That responsibility was transferred to the Secretary of Transportation last year when the Department of Transportation Act was enacted.

The benefits of the Act are limited to carriers holding a certificate of public convenience and necessity issued by the CAB designating them for local or feeder service; for metropolitan helicopter service; for service within Alaska, Hawaii, or Puerto Rico; for service between the United States and Alaska or between Florida and the British West Indies.

The Act authorizes the Board to guarantee loans up to \$10 million per air carrier. A guarantee may not exceed 90 percent of the face value of the loan and 100 percent of unpaid interest. The loan itself may not exceed either 90 percent of the purchase price or \$10 million. Loans must be repaid within 10 years. A guarantee may be made only if the Secretary finds that the air carrier would not otherwise be able to obtain funds for the purchase of aircraft upon reasonable terms and only if the aircraft purchased are needed to improve the service and efficiency of operation of the air carrier. In general, the reasonableness of other terms and conditions of the loan is determined by the Secretary.

During the first five-year period of the program, 12 carriers received guarantees for loans for the purchase of aircraft worth \$42 million covering: 33 F-27's, two DC-6's, 14 Convair 240's and 340's, a Boeing 720, three Martin 404's, and 13 helicopters. During the second five years of the program, 4 carriers received