

Mr. BROWN. Are the airlines that serve within a State from the major airports to smaller airports in that State eligible?

I could mention them parochially. In Ohio I think it is TAG Airlines.

Mr. BAKKE. The act specifically identifies feeder-type operations certificated by the Board. Air commuter or third-level carriers such as TAG operate under an exemption from the Board.

They are not certificated as such, and would not be eligible under this legislation.

Mr. BROWN. Is there any thought of broadening the legislation to include such service?

Mr. BAKKE. No, sir; there has been no specific need identified by the carriers concerned. We have been able to recognize no such need at the present time.

The carrier, of course, would achieve eligibility under the act were the Board to issue the appropriate certificate.

Accordingly, our proposal at this time is merely to extend the provisions as they appear.

Mr. DINGELL. Mr. Chairman, since we got into this business of guaranteeing loans, I have always been interested in seeing that the public interest is protected.

Can you tell us what the level of default on these loans has been?

Mr. BAKKE. There has been no default.

Mr. DINGELL. No default at all?

Mr. BAKKE. That is right.

Mr. DINGELL. What regulations do you have to assure that guarantees will not be made where defaults will occur and the Government will own depreciated securities?

Mr. BAKKE. The act itself charges the Secretary with the responsibility of insuring that the equipment for which the loan guarantee is sought is necessary for the improved efficiency of the operation of the carrier.

The Secretary is also charged to coordinate the application for a guarantee with the Civil Aeronautics Board which has the responsibility for economic surveillance over the carriers concerned.

The decision of the Secretary is made after having received the recommendations and findings of the Civil Aeronautics Board.

Mr. DINGELL. Do you have regulations in being to protect public interest in cases of this kind?

In other words, I am asking you not do you just do these things, but what specific regulations do you have to assure that we won't have defaults?

Mr. BAKKE. There is a body of regulations which was developed in the first instance by the Department of Commerce. Part 7 includes the rules applicable to the aircraft loan guarantee program, and the conditions for participation in the program are spelled out in that part.

Mr. DINGELL. Would you submit those to the committee counsel so he may scrutinize them on behalf of the committee?

Mr. BAKKE. I would be happy to.

Mr. STUCKEY. A lot of airlines are leasing their equipment, are they not?