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APPROVED

AUG 9 - 1975

ACTION

THE WHITE HOUSE

Last Day: August 13

WASHINGTON

August 9, 1975

*Postal (Vail, Cal.)
To Archive
P/12*

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *[Signature]*

SUBJECT: H.R. 8564 - Extension of Aviation War Risk Insurance

Attached for your consideration is H.R. 8564, sponsored by Representatives Anderson and Snyder, which would:

- Extend for eight months, until May 7, 1976, the authority for the Department of Transportation to issue aviation war risk insurance.
- Permit the Secretary of the Treasury, upon the request of the Secretary of Transportation, to invest all or any part of the war risk insurance revolving fund in interest-bearing securities of the United States.
- Require a 90-day Presidential study of an expansion of the program to cover losses and damage resulting from riots, civil disorder, hijackings and similar acts which are beyond the coverage of the present program.

OMB and DOT recommend the responsibility for conducting the study be delegated to the Secretary of Transportation. OMB has prepared an Executive Order to accomplish this delegation at Tab C.

Additional background information and DOT comments are provided in OMB's enrolled bill report at Tab A.


OMB, Max Friedersdorf, NSC, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill and the proposed Executive Order.



RECOMMENDATION

That you sign H.R. 8564 at Tab B.

That you sign the Executive Order at Tab C.



APPROVED
AUG 9 - 1975



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

AUG 7 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 8564 - Extension of Aviation
War Risk Insurance
Sponsors - Rep. Anderson (D) California and Rep. Snyder
(R) Kentucky

Last Day for Action

August 13, 1975 - Wednesday

Purpose

To extend the aviation war risk insurance program for eight months until May 7, 1976; to allow the investment of the money in the revolving fund; and to require a 90-day Presidential study of an expansion of the program.

Agency Recommendations

Office of Management and Budget	Approval (delegation concerning responsibility for study attached)
Department of Transportation	Approval (letter assigning responsibility for study attached)
Department of State	Approval
Department of Defense	Approval
Department of the Treasury	No objection
Department of Justice	No comment

Discussion

H.R. 8564 would amend Title XIII of the Federal Aviation Act of 1958 to extend for eight months, until May 7, 1976, the authority for the Department of Transportation to issue aviation war risk insurance. This authority is currently due to expire on September 7 of this year.

The aviation war risk insurance program administered by FAA provides insurance of civilian aircraft, in international operations, against war risks. Such insurance is provided when adequate coverage cannot be obtained commercially on reasonable terms and conditions.

Two types of insurance are issued. First, DOT insures aircraft which are under contract to a Federal agency for a particular mission. No premiums are charged for this insurance. The commercial aircraft involved in the rice lift into Phnom Penh, Cambodia were covered by this first type of insurance. Second, DOT can insure aircraft on commercial flights when the operations involved are deemed by the Secretary of Transportation to be necessary to the air commerce of the U.S. and insurance is not available on reasonable terms and conditions. Premiums are charged for this second type of insurance, and are deposited in a revolving fund in the Treasury.

H.R. 8564 would permit the Secretary of the Treasury, at the request of DOT, to invest any portion of the funds in this revolving fund in "interest bearing securities of the U.S." The interest from that investment would be deposited in the revolving fund. The interest at present rates on the investment of the \$13.7 million currently in the fund would approximate \$650,000. A similar provision was included in DOT's legislative proposal which would have authorized investment in "treasury securities." Treasury has no objection to the bill as enrolled but in earlier comments stated that it would, as a matter of policy, confine its investment of the fund to "treasury securities" which, in its view, would be more consistent with good fiscal management.

The enrolled bill would extend the program for only eight months, rather than DOT's suggested five years. This was done to enable Congress to consider an expansion of the program requested by Pan American World Airways. In lieu of an expansion of the program at this time, the enrolled bill would require you to conduct a study, to be presented to Congress in 90 days, of the possibility of expanding this program to cover losses and damage resulting from riots, civil disorder, hijackings, and similar acts which are beyond the coverage of the present program, but are included in normal commercial coverage. The study, which was not included in the DOT proposal, is unnecessary and undesirable in DOT's view since DOT has already been studying these issues. However, the study requirement would not present a problem.

OMB and DOT recommend that the responsibility for conducting the study be delegated to the Secretary of Transportation. We have attached for your consideration a proposed Executive order to accomplish this delegation. We recommend this be used rather than DOT's proposed letter. Attorneys in the Department of Justice who normally review proposed Executive orders for form and legality have reviewed this proposed order and have informally advised that there is no objection to its issuance.

A handwritten signature in black ink, appearing to read "Paul H. O'Neill", written in a cursive style.

Paul H. O'Neill
Acting Director

Enclosures



OFFICE OF THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

AUG 4 1975

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to your request for the views of this Department concerning H. R. 8564, an enrolled bill

"To amend the Federal Aviation Act of 1958 relating to war risk insurance."

The enrolled bill would provide for extending the existing war risk insurance program, administered through the Federal Aviation Administration. This program provides aviation war risk insurance for air carriers in international operations, pursuant to Title XIII of the Federal Aviation Act of 1958, when such insurance cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a State of the United States. The enrolled bill would also add a new provision to Title XIII authorizing the Secretary of the Treasury, upon the request of the Secretary of Transportation, to invest all or any part of the war risk insurance revolving fund in interest-bearing securities of the United States, and to credit the interest on, and the proceeds from the sale or redemption of, such securities to the revolving fund. Additionally, the enrolled bill provides that the President shall conduct a full and complete investigation and study of the possible expansion of the war risk insurance program to provide coverage for losses and damage resulting from riots, civil disorder, hijacking or other similar acts. It provides that in carrying out the investigation and study the President shall consult with the Secretaries of Transportation, Defense, and State and the heads of such other departments, agencies, and instrumentalities of the Federal Government as he determines necessary. The bill provides that the President shall report to Congress, not later than ninety days after the date of enactment, the results of the investigation and study, together with his recommendations for legislation (if any) which he determines necessary.

The enrolled bill originated as a House Committee substitute for an Administration bill submitted to Congress by this Department. The Administration bill would have provided for the extension of the war risk insurance program for a period of five years (to September 7, 1980), instead of eight months (to May 7, 1976) as provided for in the enrolled bill. The Administration bill would also have provided for the investment of the war risk fund by the Secretary of the Treasury. However, as suggested by the Treasury Department, investment in "Treasury securities" would have been authorized, rather than in "interest-bearing securities of the United States," as provided for in the enrolled bill.

The Administration bill contained no provision for a Presidential study of the expansion of the coverage of the war risk program. Consideration already was being given to a request by air carriers for expanded coverage along the lines referred to in the enrolled bill. The air carriers' request has been the subject of ongoing consultations, initiated by the Federal Aviation Administration, with interested federal agencies, including the Office of Management and Budget.

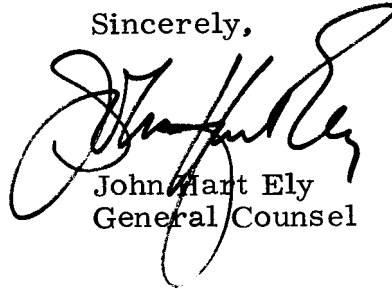
Although this Department would have preferred an extension of the war risk program for five years, rather than the eight months provided for in the enrolled bill, we consider the extension of the program, in view of its imminent expiration date of September 7, 1975, more important than the length of the extension. It is our understanding that Congress will review the program for a longer term extension prior to the expiration of the eight month period. Similarly, we would have preferred an authorization to invest in "Treasury securities". However, from the standpoint of this Department, we do not consider the authorization to invest in "interest-bearing securities of the United States" to be a significant deviation, particularly since the language of the enrolled bill does not impede DOT/Treasury discretion in the selection of Treasury securities for actual investment.

We believe the inclusion of the Presidential study requirement to be unnecessary and undesirable. Nevertheless, since we have already embarked on reviewing the questions that would be involved in the study required by the enrolled bill, we would not consider this a basis for rejecting the enrolled bill. It is not anticipated that this study will have a significant cost impact.

Our most important objective in submitting the Administration bill was to assure a continuation of the war risk insurance authority and avoid its expiration on September 7, 1975. This is important because the "standby" authority to undertake the issuance of war risk insurance should be preserved without a break in continuity to assure the ability to meet promptly needs generated by unforeseeable events. A hiatus in the war risk insurance program also could affect Military Airlift Command contracts and the Civil Reserve Air Fleet program in which the Department of Defense specifies insurance coverage under Title XIII for participating air carriers.

Inasmuch as both objectives of the Administration bill, a continuation of the war risk insurance program and establishment of authority to invest the war risk insurance fund, are accomplished by H. R. 8564, the Department of Transportation recommends that the President sign the enrolled bill, H. R. 8564.

Sincerely,

A handwritten signature in black ink, appearing to read "John Hart Ely", written in a cursive style with a large loop at the end.

John Hart Ely
General Counsel

Honorable William T. Coleman, Jr.
Secretary, Department of Transportation
400 7th Street, S.W.
Washington, D. C. 20590

Dear Mr. Secretary:

Section 3 of Public Law _____ provides that the President shall conduct a full and complete investigation and study of the possible expansion of the war risk insurance authorized by Title XIII of the Federal Aviation Act of 1958, as amended, and by other provisions of law, to provide coverage for losses and damage arising out of riots, civil disorders, hijacking, or other similar acts.

Inasmuch as the Secretary of Transportation is responsible for the implementation of Title XIII, I have decided that you should conduct this investigation and study on my behalf in coordination with the Department of Defense and the Department of State. You may consult with such other federal agencies and with such persons and organizations outside of the government as you may deem appropriate. If, as a result of your investigation and study, modification of Title XIII is deemed necessary, recommendations for the necessary legislation should be prepared for my approval.

In order that I may make a timely response to the Congress, the results of the study and any proposals for legislation should be transmitted to me by _____, 1975.

Sincerely,

DEPARTMENT OF THE AIR FORCE
WASHINGTON, D.C. 20330



OFFICE OF THE SECRETARY

5 AUG 1975

Dear Mr. Director:

Reference is made to your request for the views of the Department of Defense with respect to the enrolled enactment of H. R. 8564, 94th Congress, an Act "To amend the Federal Aviation Act of 1958 relating to war risk insurance." The Secretary of Defense has delegated to the Department of the Air Force the responsibility for expressing the views of the Department of Defense.

The act would extend the present War Risk Insurance which would expire on September 7, 1975. The Department of the Air Force, on behalf of the Department of Defense, recommends that this act be signed by the President. This legislation is required to assure unhampered movement of aircraft, cargoes, and persons when such insurance is not otherwise available.

The recurring costs or savings to the Department of Defense cannot be estimated at this time.

This report has been coordinated within the Department of Defense in accordance with the procedures prescribed by the Secretary of Defense.

Sincerely,

A handwritten signature in cursive script that reads "Walter B. LaBerger".

WALTER B. LaBERGE
Assistant Secretary
Research and Development

Honorable James T. Lynn
Director
Office of Management and Budget





THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

AUG 5 1975

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 8564, "To amend the Federal Aviation Act of 1958 relating to war risk insurance."

The enrolled enactment would extend the present authority of the Secretary of Transportation to issue war risk insurance-- due to expire September 7, 1975--until May 7, 1976, and provide authority for him to request the Secretary of the Treasury to invest all or any part of the aviation risk insurance revolving fund in interest-bearing securities of the United States. The interest on, and the proceeds from the sale or redemption of, any securities held in the revolving fund shall be credited to and form a part of the revolving fund. The enrolled enactment would also require a study by the President of the possible expansion of the program beyond the present coverage provided by title XIII of the Federal Aviation Act of 1958, to provide coverage for losses and damage resulting from riots, civil disorder, hijacking, or other similar acts.

The Department would have no objection to a recommendation that the President sign the enrolled enactment.

Sincerely yours,


General Counsel



DEPARTMENT OF STATE

Washington, D.C. 20520

AUG 5 - 1975

Honorable James T. Lynn
Director
Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to Mr. Frey's request for the Department's views and recommendations on H.R. 8564, an enrolled bill.

The principal purpose of this legislation is to extend the authority of the Secretary of Transportation under Title XIII of the Federal Aviation Act of 1958, to authorize war risk insurance on U.S. aircraft in certain circumstances. This extension is limited to May 7, 1976 to enable there to be a full and complete investigation and study of certain proposals by Pan American World Airways that additional coverages be included in Title XIII.

This legislation is a useful tool to have available in the event of an emergency, and we recommend that the President approve it.

Sincerely,

A handwritten signature in cursive script that reads "Robert J. McCloskey".

Robert J. McCloskey
Assistant Secretary
for Congressional Relations

Department of Justice
Washington, D. C. 20530

AUG 6 1975

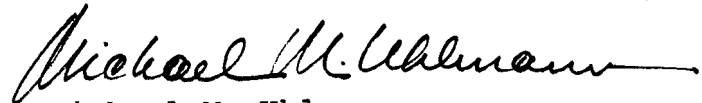
Honorable James T. Lynn
Director
Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

In compliance with your request, I have examined a facsimile of the enrolled bill (H.R. 8564), "To amend the Federal Aviation Act of 1958 relating to war risk insurance."

The Department of Justice makes no comment and defers to the Office of Management and Budget on whether or not this bill should be approved.

Sincerely,



Michael M. Uhlmann
Assistant Attorney General

To
J. Conroy
8-8-75
10:30 a.m.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

AUG 7 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 8564 - Extension of Aviation War Risk Insurance
Sponsors - Rep. Anderson (D) California and Rep. Snyder (R) Kentucky

Last Day for Action

August 13, 1975 - Wednesday

Purpose

To extend the aviation war risk insurance program for eight months until May 7, 1976; to allow the investment of the money in the revolving fund; and to require a 90-day Presidential study of an expansion of the program.

Agency Recommendations

Office of Management and Budget	Approval (delegation concerning responsibility for study, attached)
Department of Transportation	Approval (letter assigning responsibility for study attached)
Department of State	Approval
Department of Defense	Approval
Department of the Treasury	No objection
Department of Justice	No comment

Discussion

H.R. 8564 would amend Title XIII of the Federal Aviation Act of 1958 to extend for eight months, until May 7, 1976, the authority for the Department of Transportation to issue aviation war risk insurance. This authority is currently due to expire on September 7 of this year.

The aviation war risk insurance program administered by FAA provides insurance of civilian aircraft, in international operations, against war risks. Such insurance is provided when adequate coverage cannot be obtained commercially on reasonable terms and conditions.

Two types of insurance are issued. First, DOT insures aircraft which are under contract to a Federal agency for a particular mission. No premiums are charged for this insurance. The commercial aircraft involved in the rice lift into Phnom Penh, Cambodia were covered by this first type of insurance. Second, DOT can insure aircraft on commercial flights when the operations involved are deemed by the Secretary of Transportation to be necessary to the air commerce of the U.S. and insurance is not available on reasonable terms and conditions. Premiums are charged for this second type of insurance, and are deposited in a revolving fund in the Treasury.

H.R. 8564 would permit the Secretary of the Treasury, at the request of DOT, to invest any portion of the funds in this revolving fund in "interest bearing securities of the U.S." The interest from that investment would be deposited in the revolving fund. The interest at present rates on the investment of the \$13.7 million currently in the fund would approximate \$650,000. A similar provision was included in DOT's legislative proposal which would have authorized investment in "treasury securities." Treasury has no objection to the bill as enrolled but in earlier comments stated that it would, as a matter of policy, confine its investment of the fund to "treasury securities" which, in its view, would be more consistent with good fiscal management.

The enrolled bill would extend the program for only eight months, rather than DOT's suggested five years. This was done to enable Congress to consider an expansion of the program requested by Pan American World Airways. In lieu of an expansion of the program at this time, the enrolled bill would require you to conduct a study, to be presented to Congress in 90 days, of the possibility of expanding this program to cover losses and damage resulting from riots, civil disorder, hijackings, and similar acts which are beyond the coverage of the present program, but are included in normal commercial coverage. The study, which was not included in the DOT proposal, is unnecessary and undesirable in DOT's view since DOT has already been studying these issues. However, the study requirement would not present a problem.

OMB and DOT recommend that the responsibility for conducting the study be delegated to the Secretary of Transportation. We have attached for your consideration a proposed Executive order to accomplish this delegation. We recommend this be used rather than DOT's proposed letter. Attorneys in the Department of Justice who normally review proposed Executive orders for form and legality have reviewed this proposed order and have informally advised that there is no objection to its issuance.

(s) Paul H. O'Neill

Paul H. O'Neill
Acting Director

Enclosures

EXECUTIVE ORDER

DELEGATING CERTAIN FUNCTIONS TO THE
SECRETARY OF TRANSPORTATION

By virtue of the authority vested in me by Section 301 of Title 3 of the United States Code, the Secretary of Transportation is hereby designated and empowered, in consultation with the Secretaries of State and Defense, and the heads of other appropriate agencies, to conduct the full and complete investigation and study, concerning the possible expansion of war risk insurance, required by Section 3 of H.R. 8564 which I have today signed into law, and to prepare a report on the results of the investigation and study, together with any recommendations for legislation. Since Section 3(c) of H.R. 8564 provides for the President to transmit the report to the Congress within 90 days of enactment of this legislation, the proposed report should be submitted to me, through the Director of the Office of Management and Budget, within 70 days.

THE WHITE HOUSE

, 1975

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: AUGUST 8

Time: 1130am

FOR ACTION:

Mike Duvald
 NSC/S *ph*
 Max Friedersdorf *ph*
 Ken Lazarus *comments*
 Paul Theis

cc (for information): Jim Cavanaugh
 Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

~~August 8~~

Time: 300pm

SUBJECT:

H.R. 8564 - Extension of Aviation War Risk Insurance

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
 For the President

NATIONAL SECURITY COUNCIL

August 8, 1975

MEMORANDUM FOR: JAMES CAVANAUGH
FROM: *fn* Jeanne W. Davis *ant*
SUBJECT: H. R. 8564 - Extension of
Aviation War Risk Insurance

The NSC Staff concurs in the proposed Enrolled Bill H. R. 8564-
Extension of Aviation War Risk Insurance.

THE WHITE HOUSE

WASHINGTON

August 11, 1975

MEMORANDUM FOR: JIM CAVANAUGH
FROM: MAX L. FRIEDERSDORF *MF*
SUBJECT: H.R. 8564 - Extension of Aviation War Risk Insurance

The Office of Legislative Affairs concurs with the agencies that the subject bill be signed.

Attachments

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: AUGUST 8

Time: 1130am

FOR ACTION: Mike Duval
 NSC/S
 Max Friedersdorf
 Ken Lazarus
 Paul Theis

cc (for information): Jim Cavanaugh
 Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

August 8

Time: 300pm

SUBJECT:

H.R. 8564 - Extension of Aviation War Risk Insurance

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection to the bill. Suggest that Executive Order and letter to Secretary Coleman be modified as noted to expressly include participation by the AG. This seems only logical in view of the fact that the study is intended to cover the possibility of expanding this program to cover certain losses and damages resulting from criminal activity, e. g. riots, hijackings, etc.

KEN LAZARUS 8/8/75

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cavanaugh
 For the President

MB

Date: August 8

Time: 1130am

FOR ACTION: Mike Duval
NSC/S
Max Friedersdorf
Ken Lazarus
Paul Theis

cc (for information): Jim Cavanaugh
Jack Marsh

OK/DAT

FROM THE STAFF SECRETARY

DUE: Date: August 8

Time: 300pm

SUBJECT:

H.R. 8564 - Extension of Aviation War Risk Insurance

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

975 AUG 8 AM 11 30

MB

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cavanaugh
For the President

EXECUTIVE ORDER

JRR

DELEGATING CERTAIN FUNCTIONS TO THE
SECRETARY OF TRANSPORTATION

By virtue of the authority vested in me
 by ~~section~~ ^{ok} 301 of ~~title~~ ^{ok} 3 of the United States Code, the Secretary of Transportation is hereby
 designated and empowered, in consultation with
 the Secretaries of State and Defense ^{ok} and the
 heads of other appropriate agencies, to conduct
 the full and complete investigation and study ^e
 concerning the possible expansion of war risk
 insurance ^{ok} required by ^{ok} section 3 of H.R. 8564, ^X
 which I have today signed into law, and to prepare
 a report on the results of the investigation and
 study, together with any recommendations for
 legislation. Since ^{ok} section 3(c) of H.R. 8564 ^{ok} ^X
 provides for the President to transmit the report
 to the Congress within 90 days of enactment of
 this legislation, the proposed report should be
 submitted to me, through the Director of the
 Office of Management and Budget, within 70 days.

U.S.C.
Pg 144

Tom Jones's
file

Announced (Vail) 8/11/75
Serialized
J. Wehrle - 8/12/75

EXECUTIVE ORDER

11825

DELEGATING CERTAIN FUNCTIONS TO THE
SECRETARY OF TRANSPORTATION

By virtue of the authority vested in me by Section 301 of Title 3 of the United States Code, the Secretary of Transportation is hereby designated and empowered, in consultation with the Secretaries of State and Defense, and the heads of other appropriate agencies, to conduct the full and complete investigation and study, concerning the possible expansion of war risk insurance, required by Section 3 of H.R. 8564 which I have today signed into law, and to prepare a report on the results of the investigation and study, together with any recommendations for legislation. Since Section 3(c) of H.R. 8564 provides for the President to transmit the report to the Congress within 90 days of enactment of this legislation, the proposed report should be submitted to me, through the Director of the Office of Management and Budget, within 70 days.

Gerald R. Ford

THE WHITE HOUSE,
August 9, 1975

WAR RISK INSURANCE EXTENSION

JULY 25, 1975.—Ordered to be printed

Mr. JONES of Alabama, from the Committee on Public Works and Transportation, submitted the following

REPORT

[To accompany H.R. 8564]

The Committee on Public Works and Transportation, to whom was referred the bill (H.R. 8564), to amend the Federal Aviation Act of 1958 relating to war risk insurance, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 2, immediately before line 11, add the following new subsection:

(c) The section heading of section 1306 of such Act is amended by striking out

“COLLECTION AND DISBURSEMENT OF FUNDS”

and inserting in lieu thereof

“COLLECTION, DISBURSEMENT, AND INVESTMENT OF FUND”

Page 2, beginning on line 13, strike out “September 30, 1980” and insert in lieu thereof “May 7, 1976”.

Page 2, after line 14, insert the following:

SEC. 3. (a) The President shall conduct a full and complete investigation and study of the possible expansion of the war risk insurance authorized by title XIII of the Federal Aviation Act of 1958 (49 U.S.C. 1531 et seq.), and by other provisions of law, to provide coverage for losses and damage resulting from riots, civil disorder, hijacking, or other similar acts.

(b) In carrying out this section, the President shall consult with the Secretaries of Transportation, Defense, and State, and the heads of such other departments, agencies, and

instrumentalities of the Federal Government as he determines necessary.

(c) The President shall report to Congress not later than the ninetieth day after the date of enactment of this section the results of the investigation and study authorized by this section together with his recommendations for legislation (if any) which he determines necessary.

PURPOSE OF THE BILL

The purpose of H.R. 8564, as reported, is to extend the present authority of the Secretary of Transportation to issue war risk insurance—due to expire September 7, 1975—until May 7, 1976, to authorize the investment of the aviation war risk insurance revolving fund in interest-bearing securities of the United States, and to require a study by the President of the possible expansion of the program beyond the present coverage provided by Title XIII of the Federal Aviation Act of 1958.

BACKGROUND AND NEED FOR THE LEGISLATION

Under the current aviation war risk insurance program, the Secretary of Transportation operates two basic policy programs: non-premium and premium. With respect to the premium program the Secretary is authorized, with the approval of the President, to provide war risk insurance for the protection of aircraft and of persons and property transported aboard them when commercial insurance cannot be obtained on reasonable terms and conditions from the commercial insurance market.

Under the non-premium program, a department or agency of the United States may, with the approval of the President, procure war risk insurance from the Secretary of Transportation. This insurance is provided without premiums to air carriers that have contracts with the Department of Defense and State. The Department of Defense presently has contracts with 18 airlines covering some 400 aircraft. The Department of State has contracts covering approximately 85 aircraft. The premium war risk insurance program is intended to provide coverage for American air carriers in addition to what is available commercially. The coverage of war risks is necessary because the ordinary aviation insurance policy covers only the usual perils of fire, damage, and other risks, and excludes certain named "war risks" from coverage.

Commercial policies usually include a clause, or clauses, excluding from coverage any claim for loss or damage occasioned by, among other things, war, hostilities, insurrection or acts of foreign enemies.

Premiums and fees received in consideration of policies issued under the program are deposited in a revolving fund in the Treasury (49 U.S.C. Sec. 1536 (a)). Prior to 1971 the aviation war risk program had no earned premiums in its fund. At present the revolving fund has a credit balance of approximately \$13,700,000. There is no express authority under the existing title to invest the premiums for the benefit of the fund.

Section I of the bill would authorize the Secretary of the Treasury, at the request of the Secretary of Transportation, to invest all or any

portions of the aviation war risk revolving fund in interest-bearing securities of the United States and to credit the interest and proceeds to the revolving fund account. The investment of Treasury revolving funds is a common practice, but express statutory authority is a prerequisite to such investment. Examples of such authority are found in 38 U.S.C. Sec. 5228, which confers authority to invest and re-invest money in the General Post Fund of the Veterans Administration; 10 U.S.C. Sec. 2601(d) which confers investment authority in relation to the National Credit Union Share Insurance Fund; and 46 U.S.C. Sec. 1288(a) which confers investment authority in relation to the maritime war risk insurance program.

Since the arrangements for the aviation war risk insurance fund may continue indefinitely, sound business judgment requires provision for permitting investment of the moneys in the fund. Earned interest would augment the fund.

It is expected that the Secretary of the Treasury in making such investments will choose interest-bearing securities of the United States which will earn the maximum possible rates of interest (1) in keeping with the type of securities deemed most appropriate for such purpose, and (2) in accordance with market conditions prevailing at the time.

Authority for the Aviation War Risk Insurance Program expires September 7, 1975. The Congress has extended the War Risk Insurance Program on four previous occasions: (1) for 5 years to June 12, 1961, under P.L. 84-746; (2) for another 5 years to June 18, 1966, under P.L. 87-89; (3) for 4 years to September 7, 1970, under P.L. 89-447; and, (4) for 5 years to September 7, 1975, under P.L. 91-399. The reasons for these past extensions are equally compelling now. Section 2 of the bill would extend the program until May 7, 1976, and thus ensure continual coverage of the program.

Information received by the committee during hearings on H.R. 8564 revealed the possible need to extend the present coverage of the program beyond the area of what are presently considered "war risks."

For example commercial insurance underwriters drafted certain exclusions in their "all risk" policies during the recent Saigon evacuation, including losses and damage resulting from riots, civil disorders, hijacking, and other similar acts. This created questions as to whether there were gaps in the air carriers' insurance coverage.

The implications of U.S. carriers being unable to operate abroad due to an inability to obtain 100% insurance coverage deserves investigation by the Executive Department and a report to Congress. Section 3 of the bill provides for an investigation and study by the President, in consultation with the Secretaries of Transportation, Defense, and State, of the possible expansion of the war risk insurance program to provide coverage for losses and damage resulting from riots, civil disorders, hijacking, or other similar acts. A report on the investigation and study is required to be filed with Congress not later than the nineteenth day after enactment of the section.

Because of the questions raised in the hearings regarding the adequacy of the current coverage under the term "war risk", the bill extends the program for 8 months to allow the Congress to examine

the recommendations of the President which are required under the provision of Section 3.

COST OF THE LEGISLATION

In accordance with rule XIII(7) of the rules of the House of Representatives, the following information is furnished.

No additional costs to the United States would be incurred in carrying out H.R. 8564, as reported, in the current fiscal year or in any of the 5 fiscal years following. On the contrary, it is anticipated that interest from investment of portions of the aviation war risk revolving fund in interest-bearing securities of the United States as provided by section 1 would augment the fund.

COMPLIANCE WITH CLAUSE 2(1) OF RULE XI OF THE RULES OF THE HOUSE OF REPRESENTATIVES

(1) With reference to clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, no separate hearings were held on the subject matter of this legislation by the Subcommittee on Investigations and Review. However, the Subcommittee on Aviation held hearings on this subject matter which resulted in the reported bill.

(2) With respect to clause 2(1)(3)(B) of rule XI of the Rules of the House of Representatives the bill, as reported, does not provide new budget authority or increased tax expenditures. Accordingly, a statement pursuant to section 308(a) of the Congressional Budget Act is not required.

(3) With reference to clause 2(1)(3)(C) of rule XI of the Rules of the House of Representatives, the committee has not received an estimate and comparison prepared by the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act.

(4) With reference to clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee has not received a report from the Committee on Government Operations pertaining to this subject matter.

(5) With reference to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, H.R. 8564, as reported, will not affect prices and costs since it does not authorize additional funds. Therefore, H.R. 8564, as reported, would not have an inflationary impact on the national economy.

VOTE

The Committee ordered the bill reported by voice vote.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, joint resolution, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman) :

FEDERAL AVIATION ACT OF 1958

* * * * *

TITLE XIII—WAR RISK INSURANCE

* * * * *
[Sec. 1306. Collection and disbursement of funds.]
Sec. 1306. Collection, disbursement, and investment of funds.
 * * * * *
 (f) *Investment of revolving fund.*
 * * * * *

TITLE XIII—WAR RISK INSURANCE

* * * * *
[COLLECTION AND DISBURSEMENT OF FUNDS]
Collection, Disbursement, and Investment of Funds

TREASURY REVOLVING FUND

SEC. 1306. (a) * * *
 * * * * *

INVESTMENT OF REVOLVING FUND

(f) *Upon the request of the Secretary, the Secretary of the Treasury may invest all or any part of the revolving fund in interest-bearing securities of the United States. The interest on, and the proceeds from the sale or redemption of, any securities held in the revolving fund shall be credited to and form a part of the revolving fund.*
 * * * * *

TERMINATION OF TITLE

SEC. 1312. The authority of the Secretary to provide insurance and reinsurance under this title shall expire at the termination of [September 7, 1975] *May 7, 1976.*
 * * * * *

○

Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday, the fourteenth day of January,
one thousand nine hundred and seventy-five*

An Act

To amend the Federal Aviation Act of 1958 relating to war risk insurance.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 1306 of the Federal Aviation Act of 1958 (49 U.S.C. 1536) is amended by adding at the end thereof the following new subsection:

"INVESTMENT OF REVOLVING FUND

"(f) Upon the request of the Secretary, the Secretary of the Treasury may invest all or any part of the revolving fund in interest-bearing securities of the United States. The interest on, and the proceeds from the sale or redemption of, any securities held in the revolving fund shall be credited to and form a part of the revolving fund."

(b) That portion of the table of contents contained in the first section of such Act which appears under —

(1) the center heading

"TITLE XIII—WAR RISK INSURANCE"

is amended by striking out

"Sec. 1306. Collection and disbursement of funds."

and by inserting in lieu thereof

"Sec. 1306. Collection, disbursement, and investment of funds.;"

and

(2) the side heading

"Sec. 1306. Collection, disbursement, and investment of funds."

is amended by adding at the end thereof the following:

"(f) Investment of revolving fund."

(c) The section heading of section 1306 of such Act is amended by striking out

"COLLECTION AND DISBURSEMENT OF FUNDS"

and inserting in lieu thereof

"COLLECTION, DISBURSEMENT, AND INVESTMENT OF FUNDS".

SEC. 2. Section 1312 of the Federal Aviation Act of 1958 (49 U.S.C. 1542) is amended by striking out "September 7, 1975", and inserting in lieu thereof "May 7, 1976".

SEC. 3. (a) The President shall conduct a full and complete investigation and study of the possible expansion of the war risk insurance authorized by title XIII of the Federal Aviation Act of 1958 (49 U.S.C. 1531 et seq.), and by other provisions of law, to provide coverage for losses and damage resulting from riots, civil disorder, hijacking, or other similar acts.

(b) In carrying out this section, the President shall consult with the Secretaries of Transportation, Defense, and State, and the heads of such other departments, agencies, and instrumentalities of the Federal Government as he determines necessary.

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(c) The President shall report to Congress not later than the ninetyeth day after the date of enactment of this section the results of the investigation and study authorized by this section together with his recommendations for legislation (if any) which he determines necessary.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

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August 1, 1975

Dear Mr. Director:

The following bills were received at the White House on August 1st:

H.R. 2559 ✓
H.R. 5884 ✓
H.R. 8564 ✓
H.R. 8597 ✓
H.R. 8714 ✓

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.