

The original documents are located in Box 3, folder “Aircraft Noise - Meeting with the President, Vice President, and Secretary Coleman, September 9, 1976” of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

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MEETING WITH THE PRESIDENT,
VICE PRESIDENT AND SECRETARY
COLEMAN
Thursday, September 9, 1976
2:00 p.m.
Oval Office
Re: Aircraft Noise
(10 minutes)

It ~~people~~ will be to
pay ~~more~~ used
tax —

Bring all power —

OMB ~~sent~~ ~~for~~

~~Power~~
Pay ~~more~~



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

AUG 30 1976

cc - Hope

MEMORANDUM FOR: JIM CANNON

SUBJECT: Decision Memorandum for the President on
Aviation Noise and Aircraft Replacement Policy

Thank you for the opportunity to comment on your decision memorandum to the President on our Aviation Noise and Aircraft Replacement Policy. I truly cannot understand why it has taken since June 1 to produce this options paper, which, I regret to say, misrepresents our proposed policy statement and sets out unrealistic options that are not real alternatives to it.

I have already provided you with an annotated version of your paper; a proposed redraft is attached. I would also like to address the major flaws briefly. To begin with, the paper does not fairly present the DOT proposal; one must infer what it contains from reading through the whole paper. If the policy were set out at the beginning of the paper, the options would be easier to understand.

Our proposed policy calls for coordinated action of federal, state, and local governments and private parties. Compared to other alternatives that have been urged, it represents a middle ground for the federal government. Its elements are as follows:

1. Noise standards for existing and future aircraft.
2. A financing program for new aircraft.
3. A discussion of other federal regulatory measures, for the most part already under way.
4. A discussion of federal assistance available under the recently amended Airport and Airway Development Act to assist airport proprietors in planning for noise abatement.
5. An analysis of the responsibilities of and legal constraints on airport proprietors and state and local governments.

6. An airport policy designed both to encourage local noise abatement actions for individual airports and to assure that airport proprietors do not take actions that would jeopardize the national air transport system.

Thus our proposed Policy recommends all the actions you mention on page 2 of your statement, excepting curfews, which is one of several disruptive airport proprietor actions we hope to minimize through aggressive action elsewhere.

Both options 2 and 3 on Issue I, the basic question of whether to proceed with our noise policy, are in fact do-nothing options. I cannot object, of course, to your proposing no action, but I think we should make clear to the President what he would be choosing and what the implications of it are. In terms of the Administration's credibility with the constituents of this Department, they would be substantial.

Your Option 2, the "limited policy option" should not be presented as an alternative way of providing for noise abatement. Under this option, aircraft noise abatement would be left to "communities," which would address the problem through operating procedures and limits on aircraft operations. This approach is generally unworkable, since airports are rarely under the control of their neighbors. We know from experience they are not in a position to act alone.

Operational procedures provide very little noise relief unless performed with retrofitted aircraft. At a meeting last week on the subject attended by Judy Hope and Steve Piper, airline pilots from Allegheny, Northwest, and United all agreed that procedures could only complement retrofit noise reductions, and that retrofit would produce more uniform benefits. Moreover, procedures are in the exclusive control of the FAA and are only in the remotest sense a local option. At the five airports with the most severely noise impacted neighbors, operational procedures are already used to the maximum extent possible. Different departure procedures, the one remaining potential innovation at those airports, would not be effective because of residential patterns there. Finally, this approach invites such actions as the imposition of curfews, the very actions we want to avoid.

We do not understand where you get the impression that the noise problem is taking care of itself, and that federal intervention will only advance the aircraft replacement timetable by two to three years. Data provided

to us by the Air Transport Association indicate that half the noisy aircraft will still be in the air carrier fleets in 1990 if federal action is not taken, and projected traffic growth will increase noise exposure and spread the problem to other airports.

The third option, that of further study, is of course a possibility. But, at least with respect to the alternative methods of noise abatement, there is nothing more to be learned. The basic questions have been on the table for nearly ten years now; we have been engaged in public rule-making on the subject since 1972, and there is simply no justification for the federal government further to delay action. It would be personally difficult for me to announce we are studying the problem further; I promised a decision on the underlying retrofit issue about a year ago, and have been subject to unrelenting criticism already from the Hill, the airport operators, and the public for the additional year of intensive review this Department has conducted. More study of the noise questions would be profoundly embarrassing to the Administration as well as to me, and is a poor substitute for a decision--however undesirable it may be--not to take any action at all.


With respect to financing, the case for further analysis is not unreasonable. You have already separated that out in Issue II, and I would be quite willing to air the financing issues at a public hearing. The President should be aware, however, that financing is a key part of the overall policy. As our policy now stands, the greatest noise reductions--those achieved through control of noise at the source--are still dependent upon financing, particularly because we believe that replacement of older aircraft is the most cost-effective way to comply. A substantial delay to resolve the financing question would only be perceived as continuing federal reluctance to face the issue.

Further, the President should understand that our proposal is to facilitate private financing within the constraints of the present regulatory structure. Revenues for new aircraft purchase would be derived from fare increases paid by the passengers and shippers, as other air carrier revenues are--not from federal taxes. Nor would funds be diverted from the Airport and Airway Development Program. The two percentage point tax reduction would only reduce the surplus in the Trust Fund, a surplus which the Congress has repeatedly refused to authorize for expenditure on items the Administration has recommended. As it accumulates, it will only provide temptation to the Congress to fund further airport development items we consider unwise, and further contribute to excess capital development in the national airport system.

Another important misunderstanding that permeates the draft is that we are proposing a radical and expensive federal program. In fact, we are proposing a minimal federal program; its comprehensiveness, we hope, will curb some of the current demands for expensive, unrealistic actions and for total federal responsibility. Air carriers and airport proprietors have both urged us to preempt fully the rights of proprietors to take noise abatement actions--the former to protect themselves from all noise regulation, the latter to relieve themselves of the liability they now have for noise damages to airport neighbors. Our policy carefully maintains the status quo on the potentially enormous liability costs that would be shifted to the federal government if preemption were to occur. In addition, environmentalists and community action groups demand a full federal program, and they have considerable support in the Congress. The supporters of the FAA's original retrofit rule--which include most airport proprietors, HUD and EPA--cannot understand why we do not impose a four year instead of a six to eight year noise abatement program on the airlines, to be financed from present revenues. Airport proprietors, hard pressed by local political hostility and noise damage suits, have become frustrated at federal inaction and have begun to propose restrictive and potentially disruptive measures in the hopes that the Government or the courts will prevent them from being implemented. Logan Airport, a major hub, just recently came close to imposing a costly and disruptive curfew. We cannot depend on the local political process to prevent such actions elsewhere--the political pressures tend toward restrictions, and are not as well balanced as one might expect.

I still believe it is essential to proceed with publication of the policy as soon as possible. We have "studied" it enough. If there is still uncertainty over the financing, I am prepared to proceed with a public hearing on the matter, but I must insist on a commitment to settle the question quickly. Such a hearing, though in my view not necessary, would serve some useful purposes. It would give the airlines an opportunity to make public comment on our proposal, give us a chance to demonstrate the proposal's consistency with our regulatory reform initiatives, and, should the ultimate decision be negative, permit me to draw the criticism that might otherwise be directed at the President. I am attaching an options paper that sets forth three alternatives: issue a noise statement and recommend a financing plan; issue the noise statement and hold a hearing on financing; and do nothing. I believe that the presentation is fairer to both sides and that it should be substituted for your draft.

However, at a minimum I believe we should release the main body of the policy statement with the announcement of a hearing on the financing. It is essential that the federal government take some action on aircraft noise; the problem will not solve itself, and others will not stand still if we do not act. The dangers of a shift of liability, uncoordinated airport proprietor actions, and Congressional moves to increase aircraft noise regulation are too great to let this opportunity to act slip. Issuance of a comprehensive noise policy is an opportunity for the Administration to show that it is capable of decisive action in a complex field and that it can attain a reasonable balance between economic and environmental considerations.



William T. Coleman, Jr.

THE WHITE HOUSE
WASHINGTON

File
Aircraft Noise
DECISION

August 30, 1976

MEMORANDUM FOR THE PRESIDENT

FROM:

JIM CANNON *Jim*

SUBJECT:

Aircraft Noise Proposal

This is an important environmental decision which could have considerable political impact.

You may want to meet with Secretary Coleman, Jim Lynn, Dick Cheney and myself to discuss major points in this memorandum before you reach your decision.

THE WHITE HOUSE

WASHINGTON

DECISION

MEMORANDUM FOR THE PRESIDENT

FROM:

JIM CANNON 

SUBJECT:

Secretary Coleman's Proposal on Aircraft Noise

Secretary Coleman proposes that he announce, at a Congressional hearing on Thursday, September 2, 1976, a new Administration policy to establish noise standards for all commercial aircraft, to be met by the end of 1984. His memorandum to you is at Tab A.

POLICY ISSUES

Secretary Coleman's proposal raises two policy issues for your consideration:

1. Should the Ford Administration initiate stricter noise standards and regulations for U.S. commercial aircraft?
2. If so, should the Ford Administration announce a \$3.5 billion proposal to assist U.S. airlines in paying the cost of meeting the new Federal standards and regulations?

SUMMARY OF THE COLEMAN PROPOSAL

Secretary Coleman has submitted to OMB a 100-page Aviation Noise Policy Statement which would:

1. Place responsibility on state and local governments and airport proprietors to reduce the human problem of aircraft noise by locating airports outside populated areas, by zoning, and by buying land around airports.

2. Place responsibility on the Federal government to set and enforce noise standards for some 1600 planes (77% of the existing commercial fleet) which do not meet the FAA noise standards that apply to new planes coming off the production lines.
3. Provide financial assistance to airlines to muffle or replace their older, noisier planes by--
 - a. reducing the Federal tax on fares and freight by 2%;
 - b. imposing, simultaneously, a 2% environmental surcharge on fares and freight, with the money going into an industry-administered trust fund from which the airlines could draw for this purpose only.

OBJECTIVES OF THE COLEMAN PROPOSAL

In brief, Secretary Coleman states these objectives:

1. To reduce noise levels at and around metropolitan airports. For 600,000 Americans around 5 major airports, aircraft noise is a serious problem. For 6 million Americans around 100 airports, noise is a significant problem.
2. To conserve energy. The quieter engines on new planes are 25% to 40% more efficient in fuel use.
3. To stimulate jobs. Refitting and replacing some 1600 older planes would create 240,000 job years in the private sector.
4. To preserve the U.S. share of the world aircraft market. Next to agricultural products, aircraft is our biggest dollar export.

BACKGROUND

In 1968 Congress passed a law requiring the FAA to issue noise standards for new and existing aircraft.

In 1969, FAA issued standards (Federal Aviation Regulations, Part 36, "FAR 36") that require aircraft produced after January 1, 1975, of the size of 707's to make 50 percent less noise than existing 707's and DC-8's. All DC-10's and Lockheed 1011's meet FAR-36 standards; most 747's do.

FAA has not extended FAR-36 standards to some 1600 older aircraft. No 707's and DC-8's meet the standards; most 727's, DC-9's, and 737's do not.

The State of Illinois filed suit July 12, 1976 against the Department of Transportation to force FAA to comply with the 1969 law.

EPA, which has jurisdiction to propose (but not enforce) aircraft noise standards, has proposed that all older commercial aircraft be required to meet the standards for new aircraft.

To reduce the noise problem, some airports--such as Washington National--impose curfews on jet planes. But these can have a significant economic impact, especially with air freight and mail. On August 20, 1976, the Massachusetts Port Authority reversed its earlier decision to impose a night curfew at Boston's Logan Airport after an economic impact statement predicted a loss of up to 17,000 jobs and \$1.3 billion in annual sales.

CONGRESSIONAL SITUATION

Nine separate bills have been introduced in Congress to deal with the aircraft noise problem. Some would require the Federal government to pay for the muffling of all commercial aircraft that do not comply with the FAA standards.

No Congressional action to extend FAA standards to all commercial aircraft is expected at this session. Max Friedersdorf estimates that no more than 50 Congressmen consider aircraft noise a serious problem in their districts.

OPTIONS

Option 1: Should the Ford Administration initiate new noise standards for all commercial aircraft?

Arguments for:

- . Secretary Coleman feels strongly that the enunciation of an aircraft noise policy is an appropriate action of Presidential leadership.
- . If no action is taken by the President, the next Congress may attempt to legislate standards--much as Congress did on water quality and air quality.
- . FAA may, on its own initiative or as a result of a court decision, set noise standards for aircraft.
- . Aircraft noise would be reduced over the next eight years.
- . A Presidential decision could emphasize your concern for improving the quality of life in America--with the additional benefits of jobs, energy conservation, and maintaining U.S. leadership in aircraft sales throughout the world.

Arguments against:

- . Initiating new regulation of a major industry goes against Administration policy of reducing Federal government regulation of industry.
- . There is no compelling pressure for Federal action at this time--either from Congress or the courts.
- . An Administration noise policy would increase pressure for Federal action to assist the airlines in meeting the noise standards.

Option 2: If you decide to authorize Secretary Coleman to initiate new noise standards, should you also authorize Secretary Coleman's proposal to assist the airlines in paying the cost of meeting the new standards?

Under Secretary Coleman's plan:

- Congress would reduce the Federal domestic passenger ticket tax from 8% to 6% and the domestic freight tax from 5% to 3%.
- Simultaneously, CAB would authorize the airlines to impose a 2% environmental surcharge for 10 years on all domestic passenger fares and freight waybills, with the money to go into an industry-administered Aircraft Replacement Fund.
- Each U.S. airline would draw from the fund a share based on the ratio of its total passenger and cargo revenues to the aggregate of passenger and cargo revenues for all U.S. owned airlines. Each airline would be required to use its share to replace aircraft which do not meet noise standards.
- Congress would also authorize the airlines to draw \$250 to \$300 million from the Airport-Airway Trust Fund (which has a surplus of \$1.3 billion) to muffle older two-engine and three-engine aircraft.

Arguments for:

- . Secretary Coleman's proposal would provide the airlines with about 50% of the capital they would need to meet the noise standards.
- . It would create 30,000 jobs annually over the next eight years.
- . It would bring into service a fleet of quieter commercial airplanes that would conserve fuel (25% to 40%) and lower operating costs for airlines.

- . It would make it possible for U.S. aircraft manufacturers to develop a new generation of aircraft.
- . It would allow the user-tax principle, i.e., the users of aircraft would pay a tax to meet an environmental problem created by airplanes.
- . It has the support of the Air Transport Association. ATA proposed a similar plan, which Coleman modified and now supports.

Arguments Against:

- . Any step to have the Federal government impose a surcharge to meet capital requirements of private industry is without precedent, and would be criticized as a Federal bail-out of big business.
- . Pooling and redistributing funds in this way is contrary to Federal antitrust policy.
- . It would reduce Federal revenues by \$300 million yearly for ten years (OMB estimate).
- . The program would tend to help weak and inefficient airlines, and penalize strong, well-managed airlines.
- . The CAB, which has the statutory responsibility to protect the public interest in airline service and rates, could assist the airlines in meeting the noise standards by appropriate fare increases.
- . Since the 2% environmental surcharge would not apply to international flights, one airline--Pan American--would receive \$324 million more than it collected, while most other airlines would receive less than they paid in. (Tab B)
- . Members of the Ford Administration, including Secretary Coleman, have consistently stated that adoption of the Administration's proposed Aviation Act of 1975 would lead to financially healthy airlines which earn reasonable returns and can finance their own aircraft replacement.

COMMENT

I recommend against approving Secretary Coleman's financing proposal. However, if you should choose to approve this financing plan, I recommend that you consider certain modifications to it, e.g., create no separate fund but permit airlines to keep the money they raise, consider imposing a take-off and landing fee instead of the 2% surtax, etc.

DECISIONS

Option 1: Authorize Secretary Coleman to initiate noise standards for all U.S. commercial aircraft.

_____ Approve. Supported by Secretary Coleman, Commerce, State, HEW, NASA, CEQ, Bill Seidman, and Guy Stever.

_____ Disapprove. Recommended by OMB (Jim Lynn), Justice, CEA (Paul MacAvoy), Council on Wages and Price Stability, Max Friedersdorf, Counsel's Office (Ed Schmults), and Jim Cannon.

Option 2: If Option 1 is approved, authorize proposals to Congress for a \$3.5 billion Aircraft Replacement Fund.

_____ Approve. Supported by Secretary Coleman, State, HEW, NASA and Bill Seidman.

_____ Disapprove. Recommended by OMB (Jim Lynn), Justice, CEA (Paul MacAvoy), CEQ, Council on Wages and Price Stability, Max Friedersdorf, Counsel's Office (Ed Schmults), and Jim Cannon.

Commerce, CEQ, CEA and Dr. Stever recommend further study of the financing issue.