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STATE AND LOCAL TAXATION AFFECTING AIR TRANSPORTATION

CYRIL C. THOMPSON*

Taxation in the United States is a major economic problem; every established industry has felt its increasing burden, and the air transportation industry, struggling through the problems of its infancy is not spared. The relatively rapid development of the nation's scheduled air transport network since 1926, with a publicized increase in passenger and express traffic during each year of the world-wide depression, has attracted the attention of state legislators hard pressed in the search for new sources of revenue.

The state assemblies of 1933, in the nineteen states through which the United Air Lines system operates, considered legislative bills which, if passed, would have raised the annual state and local taxes of that organization 300 per cent above the tax bill of 1932. As most of the states have biennial legislative sessions there had been no general opportunity to consider the taxation of the rapidly growing air transport industry since early in 1931, and January, 1931, was much too soon after the financial crash of late 1929 to bring realization that a near collapse of governmental revenue systems was inevitable. It might also be suggested that the wave of public enthusiasm which swept the country immediately after Lindbergh's feat, carried well through the earlier months of the depression. The potential seriousness of the public revenue situation became apparent finally in 1931 when the state and local tax collections for 1930 had produced revenue \$1,431,000,000 or 22 per cent lower than the levies of the preceding year. Taxable values tumbled during 1931 and 1932; taxpayers' strikes occurred and in many taxing units schools closed for lack of funds. As a result of all this, electors have sent men and women to the state assemblies of 1933 instructed to get revenue wherever it could be obtained.

Air transportation might have figured less prominently in the current search for state and local revenue had it not been for what was apparently a tactical error on the part of those operators who took court action rather than patiently urging legislative amendments for relief from aircraft fuel tax acts which had been adopted in a few states prior to 1933. A series of adverse decisions, in-

*Of United Air Lines.

cluding those in *Eastern Air Transport v. South Carolina*, *Edelman v. Boeing Air Transport* and the *American Airways* cases in Tennessee and Louisiana served to advertise the air lines as a new tax source and at the same time weakened the position of all air transport operators in their negotiations with state tax administrators for liberal rulings, when statutes were open to more than one interpretation. I propose to talk here very frankly because many members of this association are state officials familiar with these things and desire to cooperate with operators here represented in all matters essential to the normal growth of the aeronautical industry. The above mentioned decisions have made the air transport operator very uncertain about the length to which the courts will go under present psychology in upholding state tax statutes which are not only unfair, but in some instances tend to discourage any effort to operate aircraft for profit. The facts and arguments to follow are presented in support of the opinion that air transport operators must give immediate attention to a campaign of education designed to inform the public about objectionable tax measures so that legislative representatives may protect the air transport industry from the onus of heavy and unwise taxation.

So that we may have the background clearly in mind, let us review briefly the methods of taxation to which air transport has been subject prior to the legislative enactments of the current year. Such a review will include the *gasoline tax*, *general property taxes* and various *corporation taxes*.

Gasoline taxation is entitled to first place in such a review. It is not only the largest single tax item paid by the air transport industry, but through the above mentioned litigation has served to make the air transport operator alert to a new factor in his business, namely, the sovereign power of state government. This has been a rude awakening for some operators, who during the early days of aviation, formed the habit of seeing only the federal Post Office Department as a source of revenue and only the Department of Commerce as the source of all regulation. Others, having enjoyed the generous cooperation of state and local government in making initial operating arrangements, are not disturbed. There has been a general movement in the state legislative sessions of 1933 to amend existing gasoline sales tax acts or to outline new bills, proposing to tax the business of storing or distributing motor fuel, where there was no sale within the state. The proposed fuel tax legislation of 1933 affecting United Air Lines would have added \$140,000 annually to the state tax burden of that operator alone

and would have affected many others. I am pleased to announce that a large part of the above fuel tax increase was avoided through a fair presentation of our case before legislative committees. Some members of this association were of material assistance in guiding legislators away from the fundamentally unsound aircraft fuel tax.

Those of you who heard my informal remarks before this association in convention at Nashville last year know that I am strongly of the opinion that a state gallonage tax on fuel is by far the most unfair method of taxation that has been proposed for scheduled air transportation. It is a method of taxation which was designed to place upon the highway motor vehicle user an equitable tax for the maintenance and development of public highways. It was not imposed during the infancy of the automobile industry, but came after many states had carried on automobile highway construction for fifteen years or more, exclusively by means of general property levies and bond issues backed by property taxes. In fact during the eight years ending with 1930 about 15 billion dollars, or 78 per cent of the money spent on public highways and city streets was derived from bond issues and general property taxes. The highway motor vehicle fuel tax rate per gallon in the majority of states is a moderate and fair charge for the use of the highways and so long as the revenue is not diverted from highway maintenance and construction, the automobile, bus and truck industry consider it beneficial. But you have only to read statistics on the use of highway vehicles today in some countries of central Europe to know what would happen to the automobile business in this country if state legislators should, for example, increase a three cent per gallon fuel tax to thirty cents per gallon. A thirty cent rate in the United States would be unthinkable, certainly, but in my opinion legislators have unknowingly made just such an unthinkable error in those states where they have made it lawful to impose automobile gasoline tax rates upon engine fuel to be used in transport aircraft.

Not one legislator in fifty today knows that from seven to twenty times as much engine fuel is required to transport a passenger one mile by aircraft as is necessary to transport a passenger one mile by highway bus. A simple illustration is found in a comparison between a thirty passenger highway bus powered with a 150 horsepower engine reputed to travel about ten miles for each gallon of fuel consumed and a 15 passenger air liner powered with engines developing 1575 horsepower and flying about one mile for each gallon of fuel consumed. The air liner consumes ten

times as much fuel as the highway bus to transport less than half as many passengers an equal distance. Assuming that both transportation units were loaded to capacity the bus operator could carry thirty passengers ten miles on one gallon of fuel while the air transport operator would have to use two ships and burn 20 gallons of fuel to carry the same number of passengers an equal number of miles. A gasoline tax rate applying alike to gasoline consumed by highway motor vehicles and aircraft, under this illustration, creates a tax load ratio of 20 to 1 unfavorable to air transport and is not a fair yardstick for the taxation of both. Gasoline consumed is directly related to the motor vehicles mileage use of a public highway. Aircraft fuel consumed is not related to the use scheduled aircraft may make of any facility which has been provided by a state, and where state facilities are provided they are, or should be, used by scheduled operators, under an agreement, and for a specified price, as is customary in connection with the use of municipal and county airports.

It would be quite natural for you to ask—why not use an aircraft fuel tax at lower rates than the rate applied to fuel used in highway vehicles, since the administrative cost of the fuel tax is low and such a tax is comparatively simple to enforce? I am opposed to this method of taxation for air transportation because simplicity and low cost in administration tend to invite unfair and excessive taxation. A legislature may establish an initial low rate, but good intentions will be forgotten during the stress of succeeding sessions and the trend will doubtless be upward just as it has been with the automobile fuel tax rates. (They started at one cent and in fourteen years have increased everywhere, reaching seven cents per gallon in some states. In fourteen years the total fuel tax load upon this country's automotive industry has grown from zero to \$600,000,000.00 annually and each year increasing amounts are being diverted to uses not originally intended because the fuel tax costs little to collect and is easily enforced.) Furthermore, where even a low rate measures nothing related to property owned or ability to pay, there can be no logical appeal for future legislative protection against increasingly higher rates. This is important, as I have little doubt that the voteless air transport operating corporations will have many occasions to ask for protection in tax matters during the governmental revenue adjustments of the next decade. If the aircraft fuel tax is proposed to raise revenue for state airway development, I am opposed because I believe the real test for the need of state airways lies in the willingness of

the state taxpayers to place a small levy on general property for their initial development, just as they did during the early years of automobile highway development. If a low rate aircraft fuel tax is proposed to provide revenue for public schools or general state purposes, I am opposed because consumption of fuel in an air transport line bears no relation to earnings within the state or property owned and is not an equitable device for measuring ability to pay a general tax.

The *general property tax* is next in importance as a substantial tax item paid by the air transport industry. This is a tax collected on all real and personal property through an annual levy by various taxing units within the boundaries of which the property taxed is located on the lawful assessment date. It is a tax which the air transport industry pays willingly for the support of state and local government. The levy rate per hundred dollars of assessed valuation is the same for all property within a given political unit and the important thing is to see that the assessment is equitable. The local assessor as a rule is very fair when given sound reasons for suggested assessment values. Due to the fact that many operators acquired fields and erected hangars during the era of high prices an agreement on present value for taxation is not always simple. The assessment of operating aircraft, which may land in a dozen different taxing jurisdictions on assessment day, thereby becoming technically subject to assessment in each jurisdiction, is a problem which the industry may expect to hear much about in the near future. I call your attention to the fact that assessment dates are not uniform in the different states. If the mere presence of a plane in a state on the assessment date is to be the test of liability for personal property taxes the result will be multiple taxation and an air transport line may be taxed on a great many more planes than it actually owns. It has been customary to tax operating airplanes at their overhaul base. An allocation at various stops along the operator's route has recently been requested by tax officials in some states. These scattered requests are, in my opinion, the entering wedge of a movement which may eventually separate much of the tangible property of air transport operators from the class of non-operative property and bring it under the classification of operative property subject to methods of taxation applicable to established public utility enterprises. One state through which Boeing Air Transport operates has already classed scheduled aircraft as operative property and annually allocates to every taxing unit, on a basis of route mileage, a portion of the value of the ships used on that

division. I strongly urge you as friends of air transport to discourage this trend. Such a method will ultimately mean that control of an air transport operator's annual tax bill will depend upon his effort to watch and control the proposed budget and tax levy of every county, city, village, high school district, common school district, irrigation district, drainage, highway, cemetery, weed eradication and mosquito abatement district along our various routes. For an illustration of what this involves in overhead expense outside of the tax bill, visit the tax department of some large railroad today. In my opinion air transportation will be wise to avoid tax classification as a public utility during these early formative years, meanwhile evolving new and sound theories of taxation which will enable the industry to avoid the taxation hazards which make profitable operation difficult for many surface modes of transportation today. An important question for interstate operators under the property tax is not so much the validity of a tax upon this or that specific item of property, but the available methods for the taxation of the value of the whole business enterprise. To what extent can Oklahoma tax, for example, not merely the value of the average number of airplanes used in Oklahoma, but a portion of the value of the entire capital stock of an operator doing interstate business. The value of the capital stock will frequently reflect in part the value of hangar buildings and offices in Illinois, securities in other companies not operating in Oklahoma and the value attached to a going concern that is able to operate in a score or more of states. It may be that none of these items are subject to tax as such in Oklahoma. Yet since the decision in *Pullman Car Company v. Pennsylvania* the Supreme Court has permitted a state to assign to itself for the purpose of ad valorem property taxation, not merely an average of the tangible property used in the state, but a portion of the value of the entire capital stock of a foreign corporation representing intangible as well as tangible values. This form of taxation may be applied to a corporation doing an interstate business, so long as it has in fact some property in the state. Moreover it enables a state to tax an amount largely in excess of the value of the tangible aircraft or other property within its limits.

Suppose, however, the interstate air transport operator has property outside the state which has no reasonable connection with the business done in the state and is not essential to the business done in the state. Suppose the density of traffic is not uniform over the whole system. There is objection to the base of such a

tax because property not essential to operation in that state is included and there is objection to the ratio because mileage density is not uniform. The courts in such cases as *Wallace v. Hines*, 253 U. S. 66, and *Union Tank Line v. Wright*, 146 Ga. 489, rev. 249 U. S. 275, have endeavored to meet these objections. However, an exactly equitable apportionment is impossible and the operating company must establish the inequity in the particular case. Administrative difficulties and litigation are to be expected in the taxation of a subject matter of this character, but the states have the power in this form to secure a fair tax from any corporation doing business within its borders and an equitable base and ratio can usually be agreed upon between the State Tax Commission and the transport operator.

Before leaving the general title of property taxes and taking up corporation taxes which include the corporation privilege tax it is well to keep in mind the distinction between a *property tax* and a *privilege tax*. It has been pointed out by counsel that a state has power to tax the privilege of doing business, within its borders, but in order that such a tax may be valid under the Federal Constitution, it must be shown that the tax is imposed solely on account of intrastate business without enhancement because of interstate business transacted (*Sprout v. City of South Bend*, 277 U. S. 163; *Alpha Cement Company v. Massachusetts*, 268 U. S. 203). If a state tax imposed for the privilege of doing business affects a company doing both interstate and intrastate business, the statute to be valid under the Federal Constitution must limit the tax imposed to the intrastate business, so that the amount exacted is not increased because of interstate business.

Courts have upheld state statutes that honestly attempt to tax property, and use as a measure thereof receipts realized from business in the state. In *Maine v. Grand Trunk Ry. Company*, 142 U. S. 217, the court, in a five-to-four decision, upheld a tax imposed on a railway for the privilege of exercising its franchise in the State of Maine. The tax was computed by ascertaining the gross receipts realized for the average mile and multiplying that amount by the number of miles of tracks maintained in the state. In *Cudahy Packing Co. v. Minnesota*, 246 U. S. 450, the court said:

"If what is done is to reach the property and not to tax the gross earnings, the latter being taken as an index or measure of the value of the former, it may well be that the objection urged against the tax is untenable."

Under the heading of *corporation taxes* now applicable to air transport companies we have the franchise (or privilege) tax,

entrance, Capital Stock, and income taxes. In connection with the franchise (or privilege) taxes applied to air transport companies three general rules are often stated:

1. A state cannot levy any special annual tax on a foreign air transport corporation the activities of which within the taxing state are exclusively interstate.
2. Where a foreign corporation is doing both an interstate and intrastate business within the taxing state, a non-allocated capital stock privilege tax is invalid both as an attempt to tax interstate commerce and as an attempt to tax property beyond the jurisdiction of the taxing state.
3. Where a foreign corporation is doing both an interstate and intrastate business within the taxing state, a capital stock privilege tax based on authorized capital stock instead of issued capital stock is invalid as an attempt to tax interstate commerce and as a denial of equal protection of the laws.

The states having a franchise (or privilege) tax statute applicable to air transport companies doing both an interstate and intrastate business, usually base such a tax on a route mileage allocation of capital stock, capital employed or gross income. If all states having such taxes used the same measure of allocation and fixed equitable tax rates there would be no objection to the franchise tax. However, due to the present lack of uniformity, individual states have a direct revenue interest in the choice of a favorable measure of allocation, and air transport corporations must be alert for their own protection. Where air transport company shops and major ground facilities are heavily concentrated in one or two states, the other states often endeavor to devise franchise tax allocation formulas which will reach that outside value. I understand that The National Tax Association has a committee now at work upon a measure of allocation which will, it is hoped, be acceptable to all states.

The *entrance tax* imposed upon foreign air transport corporations for the privilege of qualifying to do business in a state is usually a modest fixed fee and of minor importance. The entrance taxes were adopted by the various states in an effort to equalize the treatment of domestic and foreign corporations.

The *capital stock* tax on domestic corporations is a charge by the state for the right to do business under the corporate form of organization. In the case of foreign corporations the charge for

permission to do business within a state takes the form of the privilege or franchise tax.

The so-called gross receipts taxes which are collected in various states are substantially equivalent to an income tax, although only one state along the various routes of United Air Lines has actually used the title of *income tax*.

The foregoing paragraphs have covered briefly the methods of taxation with which scheduled air transport has come in contact prior to 1933. It is not my purpose to cover in great detail the new state and local tax legislation of the current year, but the following summary indicates a trend which the air transport industry cannot overlook.

(1) Legislative adjustments in state corporation franchise and income taxes have been upward.

(2) There has been widespread adoption of some form of general sales tax which applies to everything the air transport operator buys, including fuel in many states where there is no gallonage tax applicable to aircraft fuel.

(3) There has been a determined attack upon existing statutes providing tax refunds or exemptions for gasoline consumers who do not use the fuel in highway vehicles.

(4) In no year during the history of scheduled air transportation have legislative bills been introduced in so many states, specifically proposing to tax aircraft fuel.

(5) The 1933 legislative effort to divert easily collected fuel taxes from use on the highways to the use of public schools and other functions of government is unprecedented.

I will pass points (1) and (2) with little comment as each covers a convenient method of broadening the state tax base and each is, in my opinion, free from serious economic objection. When a franchise tax is proposed, air transport operators should not fail to urge an equitable tax rate in each state. Uniformity of valuation in all states is difficult to obtain and a favorable measure of allocation for an interstate enterprise should be sought in each state. The general sales or turnover tax when it extends uniformly to all commodities and property entering into sales transactions, imposes no unfair handicap upon the air transport operator. Regardless of much serious opposition from tradesmen, this sort of tax seems to be serving well in many states where the general property tax has failed to provide the required state and local governmental revenue. Quite naturally we regret any broadening of the tax

base in any political unit, but when an emergency exists there are many arguments favoring a general sales tax.

Points (3) (4) and (5) all have to do with the taxation of gasoline and can be conveniently grouped as we return to the subject of the fuel tax. In the majority of the states the gasoline tax is paid and later a refund is made to the consumer for the amount of the tax on fuels used for purposes for which refunds are granted. Under the most common wording of the original gasoline tax acts, refunds were allowed for taxes paid on motor fuel used for purposes other than operating vehicles on the public highway. In a few states gasoline sold for certain uses is declared exempt from the tax and no refund is necessary. Recently there has been in all states a noticeable increase in the proportion of refunds paid out of the gross receipts from the gasoline tax. The average ratio of refunds was about seven per cent in 1931, but in a few states the ratio was higher and in one state reached 35 per cent of the fuel tax gross receipts. There seem to be three general causes:

(1) The growing use of motor fuel for agricultural and industrial purposes; (2) the effect of the depression in causing users to file claims for small amounts; and (3) the alleged abuse of the exemption or refund statutes by industrial and agricultural users who draw from the tax free barrel to fill automobile and truck tanks.

This alleged abuse is the big argument of state tax officials for the elimination of all engine fuel tax refunds and exemptions. Tax administrators have told me that they realize that the special fuel used in transport airplanes is not readily put to general use in automobile engines, is high priced and therefore does not invite the above abuse. They say that agricultural refunds are the one great source of evasion and fraud. For example, the farmers in one state owning 59,000 tractors claim less in refunds than farmers of another state who own only 27,000 tractors. Something would seem to be wrong in the latter state. To seriously investigate these claims for refund would involve a prohibitive expense to the state. Therefore, many officials believe the whole refund system should be abolished. They frankly say it would be poor politics to play any favorites if farm fuel exemptions and refunds are to be eliminated.

When the issue is thus drawn in any state the air transport operator, in my opinion, has no alternative but to fight through legislative channels for a square deal. The U. S. Supreme Court

decisions of 1932 and 1933 leave little doubt that the courts find it difficult to be of assistance, so long as the typical state gasoline tax statute is generally in force. Should air transport fail in its appeal for court as well as legislative relief in any state, operating changes may be necessary as a matter of self-preservation. Schedules can be arranged which provide for refueling and service stations in states where equitable exemptions invite new industrial payrolls. Major development investments can be withheld from unfavorable states. In my opinion the scheduled air transport operator can offer no quarter in the fight against an aircraft fuel tax at excessive rates. If we should apply the 7 cent per gallon state fuel tax of Tennessee (plus the $1\frac{1}{2}$ cent federal tax) to the 23,686,948 gallons of fuel used by scheduled operators in the United States for the year 1932, we get a tax figure of approximately \$1,964,000 or roughly 15 per cent of the current federal appropriation for all air mail carriers. In other words, if the total Tennessee fuel tax rate was now in force throughout the United States, one-seventh ($1/7$) of a much needed federal appropriation for 1933 would be paid out in fuel taxes. What has been done in Tennessee can and may be done by legislative act in other states, unless we quickly inform legislators of the great injury to air transport which would be the result of such action. Another illustration—apply the above fuel tax total of \$1,964,000 to the total miles flown by scheduled aircraft in 1932 (46,884,000 miles) and this tax would amount to 4.2 cents per ship mile, an increase of over seven (7) per cent in the operating cost per mile of such transports as the new Boeing 247 under current operating schedules on United Air Lines.

Such a rapid advance in operating costs on account of increasing state and local taxation would be grossly unfair to all classes of scheduled air transport at this time. The industry has recently moved from the early problems of equipment development to a period in which traffic growth is of paramount importance if this mode of transportation is to justify itself. Passenger and express traffic development has brought increased operating overhead, making heavy revenue demands. When the government retired from the operation of air mail planes and awarded the mail routes to private contractors on the basis of the lowest bids, air mail revenue was practically the only income of the great majority of scheduled air lines. After the air mail contractors had gained a year or two of experience in scheduled mail carrying, the government urged operators to develop as a new source of revenue the passenger

and express business so that we might have eventually in this country a great system of air lines capable of operating without a subsidy. As passenger and express business has grown, the per mile rate of pay from the Post Office Department for carrying air mail has been greatly reduced. The following figures show how the rate per mile received for carrying air mail is today about half of what it was in 1929:

<i>Fiscal Year</i>	<i>Rate of Pay Per Mile</i>
1929	\$1.09
1930	.97
1931	.79
1932	.62
January—1933	.55
July—1933	.40-.45

While the rate of pay per mile flown was being reduced, air transport services were substantially improved in speed, safety, reliability and comfort and the average rate of passenger fare in the United States has been reduced from eleven cents a mile in 1928 to approximately six cents in 1933. In view of these facts, you can readily see that heavy state taxation demands can easily throw into the "red" an enterprise struggling courageously to maintain high standards in the face of rapidly decreasing air mail returns which, during the current year, will be sufficient to pay approximately two-third (2/3) of operating costs.

There are a few state officials in this country who contend that improved facilities for surface transportation are so essential to community welfare that equitable methods of financing such improvements are of secondary importance. This group oppose aircraft gasoline tax exemptions for the reason that air traffic must use roads to get to and from airports. This argument surely has the ring of political expediency. Do not the surface vehicles serving air transport pay every tax that any other surface vehicle pays? And furthermore, does not air transport pay the general property, sales and corporation taxes for the support of the functions of general government, including roads?

In connection with revenue for governmental functions, which includes public schools, the State of Ohio has recently given the sponsors of better highways a jolt, which is also felt by other users of gasoline, including air transport operators. It came in the form of a legislative enactment levying a 1 cent tax on all

liquid fuel. The revenue is to go into a state public school fund designed to aid needy school districts. Although this is an example of objectionable diversion of gasoline tax money from the highway use originally intended, no additional burden is imposed upon the highway vehicle user whose 4 cents per gallon tax for highways was reduced to three cents just before the adoption of the above school fund statute. Unfortunately, this statute does not provide for the aircraft fuel tax refunds allowed under the old 4 cent highway gasoline tax law and therefore imposes upon air transport operators who refuel in Ohio a new one cent per gallon tax. Regardless of the fact that the tax rate is relatively low, it imposes an unfair proportion of this special school tax load upon air transportation, through application of a common gallonage tax rate to both highway and aircraft fuels. The framers of that legislation made no equitable allowance for the difference in fuel consumption per passenger mile of two radically different modes of transportation. That tax will cost National Air Transport, for example, approximately \$9,000 a year, which is more than three times the gross annual revenue of that company from intrastate passenger business in Ohio. It is more than 13 per cent of the total 1932 assessed value of all the property NAT owns in the State of Ohio and will be an added burden upon an enterprise which already pays all current levies on its real and personal property in Ohio.

The year 1933 has brought the infant air transport industry to a point in its relations with state and local government where it must actively contend for some new ideas in taxation quite as untraditional as are planes and propellers in the very old field of scheduled transportation. Although I hold no brief for any enterprise which seeks to evade its *fair* share of taxes for the support of state and local government, I put much thoughtful emphasis upon that word "fair." What is fair and equitable taxation for air transportation, in my opinion, need have very little in common with the taxation customs and habits which have grown up around the older business of surface transportation by water or land. We hear much today about the lowering assessment values of railroad property because of traffic inroads being made by airplane and other competition and it is suggested that the aircraft operator must lift off the shoulders of the railroad operator his taxes in direct proportion of the percentage of traffic gained by air transport. I take issue with that suggestion for the reason that air transport requires less governmental service and should be permitted to pass on to the public, after experimental days, the full

economy of an advanced method of transportation. Air transportation has no right-of-way fences, track or grade improvements and bridges requiring the police protection of state or local political units. An air transport line asks no cooperative expenditures by taxing units for grade crossing elimination, requires very little of the time of our courts in connection with accident and property damage litigation and finds unnecessary many other costly governmental regulations and aids which have grown up around railway and highway transport. If the air transport operator, in addition to the development of entirely new traffic, attracts away a portion of the former business of the railroad, state and local taxing units must modify the revenue base to meet changing railroad conditions. This does not mean, however, the arbitrary shift of an old tax load from the railroad to the airline. It is not so many years ago that the new and faster railroads of New York state attracted much needed traffic away from the costly Erie Canal. There were a few legislative attempts to force the infant railroads to pay through taxation for the Erie Canal losses. Some were forced to pay for a year or two. Then the citizens of New York state decided that it was poor policy to let faulty taxation retard transportation progress and the Erie Canal tax load was lifted from the railroads to become a part of the annual general state tax levy upon all property.

No group in the United States today has influence equal to that of this association in matters of state and local taxation affecting air transportation. Let me urge you collectively and individually to exercise constructive, forward-looking leadership so that air transportation may be unhampered in making a rich contribution to our national life.