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FINANCIAL PROBLEMS OF STATE REGULATION AND PROMOTION OF AERONAUTICS

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My remarks on the subject assigned to me are going to be brief for, after all, it is not so much what we say about a subject at this meeting, as what we do by united action, that counts. There is much room for improvement on all State revenue measures. It therefore behooves all of us to give careful consideration to new legislation on revenue measures for aeronautic purposes. You may enact regulatory measures and enforce them without any serious objection but your revenue measures are the ones with the teeth in them that either promote the industry within the state or serve in a great measure to kill it. The ideal situation of course would be to have revenue measures that would balance with the activity involved or the service rendered. It is very evident that a certain amount expended in necessary and needed aeronautical facilities, promotes a feeling of good will as well as bringing additional business.

Take for instance the following example of which we have several in our State. The mining town of Atlanta with some 500 to 600 population finds itself cut off from the outside world during winter months by an impassable mountain range. Nature was kind enough, however, to leave a level spot in the canyon near the town which was converted into a landing field. Now the people of this town are just 45 minutes from the capital city by plane service, miners have fresh fruits and vegetables on their tables, sick or injured may receive all the benefits of city hospitals and even the product of the mines, gold bullion, is shipped out by plane. Here, a direct service was rendered by constructing a landing field worth many times its original cost. But this sort of thing involves the expenditure of considerable sums and some equitable means must be found to raise this revenue.

In considering these State revenue measures we are, at the present time, confronted with two conflicting forces. On one hand air transport lines are endeavoring to relieve themselves of the burden imposed by the various states through aircraft license fees and gasoline tax levies. Their attitude in their own words might

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be expressed as follows: We are not interested enough in state development off the federal airways to pay for such development through the gasoline tax. Our facilities are provided for by the Federal Government and are sufficient to meet our requirements. On the other hand, we find the tendency of the Federal Government is towards more state responsibility not only in the establishment of airways but in the regulations of air traffic and the general promotion of aeronautics throughout the states. Their attitude is shared in a measure by the miscellaneous commercial operators who conduct non-scheduled service from the various points within a State generally to the main or federal airway and who might be designated as feeders to that airway. They have expressed themselves as follows: We are not interested in facilities provided by the Federal Government in that they do not coincide with our lines of travel but we do want facilities of the federal airway such as intermediate fields, airports, weather reporting data, and are willing to pay for such facilities through the medium of the tax on aviation gasoline. We are not, however, of sufficient numbers at the present time to pay for the cost of this development and we need assistance, state or federal, to help construct a system of state airways.

We have fond hopes that the depression is over and that private and non-scheduled operations will become more general. Also that we can prove to the scheduled operator, flying the federal airways, that a part of his tax moneys directed toward general state development will return him good dividends in the way of business brought in by these feeder lines.

On the several sources which may be considered as a means of raising revenue, there are listed the following:

(1) *Direct legislative appropriation.*

In considering this item it would be rather foolhardy to attempt to secure funds by this means during such times of stress as our legislative bodies are now confronting. I venture to say that no state legislative body would consider increasing its ad valorem tax for the benefit of any one particular industry. We have come to a point in the history of taxation where real property must be relieved of some of its burden and additional revenues in the future be raised by special and personal property taxes.

(2) *Revenue derived from a tax on aviation gasoline.*

Much has been said both for and against this item; that of raising revenue by means of the excise tax on gasoline, sold, consumed

or stored for the use of aircraft. From the layman's point of view this method seems to be the most equitable of any revenue measure suggested. In view of the fact that the gasoline tax has been used to construct our great national system of highways, we have a precedent hard to eliminate. It must be admitted that funds so raised for highway construction have been grossly misused in a number of instances. Levied in the first place for the purpose of constructing and maintaining highways and bridges they have been diverted to a number of uses far from highway construction, such as retiring school bonds, constructing county buildings and supporting other branches of state government. It must also be admitted that in some states, where a tax is now levied on aviation gasoline, these funds also have been used for the construction of highways and for other uses not concerning aeronautics. It cannot be questioned however but that with wise laws wisely administered, the gasoline tax still remains and will continue to remain the main source of revenue if states are to participate in the promotion of aviation facilities. If, however, states continue to use this means of raising revenue it must be borne in mind that air transportation is entirely foreign and different from transportation on the ground and that the facilities provided by such means of taxation are not as costly as those provided for ground transportation; therefore in no case should the gauge for measuring the amount of highway gas tax be used as a gauge for measuring the aircraft gasoline tax. This fact was considered by the Idaho Legislature during its 1933 session when the tax on aviation gasoline of 5 cents, the same as that on motor vehicles, was reduced to one-half of that amount.

Probably in the future we may devise a more equitable tax that will return the needed revenue to the states than the gasoline tax. However, as stated before, this tax will probably remain for a number of years and it is therefore up to us to get together with the industry and work out to their satisfaction and to ours a just amount.

(3) *Revenue derived by the licensing of aircraft.*

To the above source of revenue may be added a license fee which is the licensing of aircraft similar to that now in use for the licensing of motor vehicles. In equity to the aircraft operator, this fee should be in lieu of personal property taxes and as near to that amount as is possible. Funds so derived can be used to augment the state aeronautics program whereas personal property

taxes on planes or equipment revert to the county fund for use in any manner they may deem advisable, certainly not for aeronautics.

Some states require that the pilot also be licensed and that he pay a fee for receiving such license. This was tried out in our state and found very hard to administer. Inasmuch as the requirement for a state license was to furnish proof that the applicant was licensed by the Department of Commerce, it was deemed advisable to eliminate the fee. A very small amount of revenue could be derived from this source in any respect.

(4) *Miscellaneous revenue, donations, etc.*

Revenues raised from miscellaneous sources are varied and in keeping with the particular duties required of the state administrator of aeronautics. We have found in our state that a sizable figure may be returned to the aeronautics fund from the following services rendered not in competition to commercial operators:

- a. Transportation of the various state officials.
- b. Aerial photographic surveys for state uses such as dam and power sites reconnaissance.
- c. Highway location.
- d. Highway rights of way.
- e. Irrigation and drainage.
- f. Soil surveys, state lands.
- g. Re-seeding burnt over areas of state lands.
- h. Crop dusting.
- i. Scenic views for reports, etc.

Regardless of the methods used in raising revenue it must still be admitted that if we wish to have the facilities as should be provided by a state to adequately handle air traffic as it is at the present time, not counting the increase which we hope to see in the near future, we will spend considerable sums of money. This burden lies in the greater part, upon those using these facilities and is often in a greater proportion than the services rendered. We must remember, however, that if we wish to see universal use of aircraft as a transportation medium we must provide these facilities which are as invaluable to our army as are our military highways. It is therefore suggested that a means be provided which will lighten the burden both on the transport operator and on the individual operator as well. This can be done in the same manner as it was done when Congress passed the Federal highway act in 1921.

Quoting from a speech of our Secretary of War, George H. Dern who in 1929 said, "One of the most important things in expansion of air transportation is the establishment and maintenance of airports and airways. Who is to establish these airports? Cities, state or nation? I would venture a prediction that the time will come not far hence, when airports will be established with the assistance of the federal government just as our highways are now being built by the states and municipalities with the aid of the federal government."

With this thought in mind I have prepared a resolution for the consideration of this body. It is useless to act favorably on this resolution unless we are ready to go to bat before Congress and see it through. There is no doubt in my mind, had we been on our toes and acted as a body last year but that we would have received a portion of the three billion appropriated by the Industrial Recovery Act as a 100% donation to apply on the construction of airports. Highways received this aid, why not airways? We may still be able to amend that act during the next session of Congress to include airways within the meaning of the act.

With permission of your president I would like to introduce the following Resolution.

WHEREAS: The safety and convenience of the public traveling in aircraft depends to a large measure upon a system of airways properly constructed and maintained, with frequent emergency landing fields, and

WHEREAS: The establishment of a unified system of airways linking principal centers of population and enabling safe air travel between them for both public and private ships, is a problem that demands the expenditure and efforts of the Federal Government and the individual states acting together, and

WHEREAS: It is necessary, in order to supplement the Federal Post Road Mail and Railroad Mail Service by providing State and Inter-state Airmail Service, to have airways over which such coordinated system of postal transportation to all communities may be maintained, and

WHEREAS: The establishment of a national airway system is a problem similar in most respects to the establishment of a Federal Highway system, and

WHEREAS: The latter is being so satisfactorily developed under the plan laid down in the Federal Highway Act of 1916, as amended by later acts;

BE IT RESOLVED by the National Association of State Aviation Officials that this Association approves of and urges the passage by the United States Congress of enabling legislation similar to the Federal Highway Act providing for joint action by Federal and State Governments in the estab-

lishment, construction and maintenance of a Federal State Airway system,
and

BE IT FURTHER RESOLVED that inasmuch as air commerce is so universal in character and so allied with all forms of transportation, that in the enactment of such proposed legislation, all Federal and State Governments and Transportation Agencies be fully coordinated for the adequate development of a Federal State Airway system for national defense and commercial development.

BE IT FURTHER RESOLVED that copies of this Resolution be sent to all Senators and Representatives in the Congress of the United States.