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June 3, 1976

AIRCRAFT/AIRPORT NOISE REDUCTION PROGRAMI. Description of the Proposal

- A. By Federal legislation, the aircraft/airport noise problem must be declared a national problem solvable only at the Federal level by a uniform, coordinated program providing benefits in noise reduction to all those affected by it.
- B. The funds required by the airlines to carry-out noise reduction programs should derive from a \$1.00 surcharge on each airline passenger ticket and a 1% surcharge on each air freight waybill.
- C. The surcharge and use of the funds generated thereby should be stipulated to be effective over a period of seven years. The surcharge should begin January 1, 1977.
- D. On February 1, 1978, and on February 1 of each following year during the existence of the surcharge, each airline must report to the Secretary of Transportation the amount of funds generated and the amount being used for retrofit of older aircraft or in the alternative for the purchase of new aircraft which meet the provisions of FAR 36 to replace those which do not meet the provisions of FAR 36. Those funds used for modification/retrofit programs or for the purchase of new aircraft which meet the provisions of FAR 36 should not be subject to Federal or State taxes; however, any funds generated in this program and not so used shall be deposited in the Federal Treasury.



- E. Priority shall be given to the retrofit or replacement of those aircraft which have the greatest incremental noise levels over the provisions of FAR 36 -- namely, the Boeing 707/720, McDonnell Douglas DC-8 and the earlier version of the Boeing 747. While priority should be given to these aircraft types, others should not be excluded but rather should be allowed as a second priority. This is in deference to the many communities and legislative districts served only by, and the many passengers and shippers using only the smaller aircraft such as the Boeing 727/737 and the McDonnell Douglas DC-9.
- F. In order that the total cost of transportation to the public not be increased, the present tax level supporting the Airport and Airways Trust Fund should be reduced from 8% to 5% to eliminate the large surplus in that fund and to allow for the special surcharge for noise reduction.
- G. A display of the dollars generated by and to be used in this noise reduction program is shown in Attachment A.

## II. Advantages of the Proposal

### A. Effectiveness

While additional changes in operating procedures may yield small increments of relief for some of the people and areas impacted by aircraft noise, and while land use changes offer the possibility of some relief but only over a long period of time, there is an

uncomplicated, straightforward, economically stimulating means to attack the problem now, on a uniform proportionate basis, providing relief for all people affected. That is a Federal noise control program, "taking charge" of the situation and mandating reduction of noise at the source.

B. Equity

There must be a mandate to the Civil Aeronautics Board and the air carriers to add one dollar to the charge for each airline passenger ticket and one per cent to each air freight waybill. Those dollars taken in on a tax-free basis by each carrier over whose routes and in whose aircraft the transportation is accomplished must be used by that carrier to reduce the noise of its aircraft over its routes and around the airports it serves.

C. Simplicity

The dollars would be spent for retrofitting aircraft engines with sound absorbent material and for replacement of old noisy aircraft with new quiet aircraft which meet or better the standards of FAR 36. The allocation of dollars to retrofit or replacement can be decided by each carrier, depending on its fleet composition, aircraft acquisition and disposition plans and economic effectiveness.

D. Accountability

The use of the funds for noise reduction purposes would be detailed and certified to the Secretary of Transportation each year for at least the seven-year initial time frame of this program. Funds taken in for noise control if not spent for retrofit or replacement would have to be turned over to the Government for placement in the Airport and Airways Development Trust Fund administered by the Government.

E. Public Acceptance

One dollar per ticket and one percent of the value of each air freight waybill produces over \$230 million per year or over \$1.6 billion over the next seven years. That much is assured noise reduction for all those affected by aircraft noise and in proportion to the public payment source, in the aircraft, on the routes and in the cities around the airports where collected. Operational and land-use changes, where and when safe and practical, and purchase of other quiet new aircraft as may be stimulated by the growth of the economy will, in addition to this assured spending program, help to relieve the noise problem.

F. Stimulus to the Economy

This proposal is in itself a direct stimulus to the economy in an area suffering from weakness today. Jobs will be saved and new ones created in the aircraft, accessory and engine manufacturing fields as the noise reduction dollars are spent for retrofit and

especially what will probably be the larger share devoted to new aircraft -- those which could not be ordered without these dollars.

G. Transportation Costs Not Increased

The public should not have to spend more for air transportation. Net cost should be reduced. There are now billions of dollars of surplus in the Airport and Airways Trust Fund. The Congress and the airlines have recommended reduction, especially in the present 8% tax on passenger tickets which is the primary source of input to the Trust Fund. A reduction from 8% to 5% in this tax would cut the cost to the public for air transportation by \$2.5 billion over seven years, while the \$1.00 per ticket only takes \$1.5 billion of this. A reduction from 5% to 3% in the air freight waybill tax would cut the cost to air shippers by \$235 million over seven years, while a 1% waybill tax for noise reduction would take \$78 million over the same period.



III. A Comparison with the Air Transport Association Proposal

Northwest Airlines is a member of the Air Transport Association and has participated in the meetings which led to a proposal submitted by the Association to the Secretary of Transportation. Northwest did not object to the ATA proposal because its general framework was in line with Northwest's proposal and because it represented a compromise acceptable to almost all the carriers as a basis for the presentation of a concept to the Secretary of Transportation. That basic concept is

essentially the same; however, there are these specific differences between the ATA proposal and the Northwest proposal in detail:

A. Period of Time

Northwest favors a period of approximately seven years while the ATA proposal specifies ten years.

B. Amount of the Fund

Funds generated and spent in the Northwest proposal amount to approximately \$1.6 billion while those in the ATA proposal amount to \$3.6 billion. \$3.6 billion is too large an amount and provides too much temptation for its diversion to other projects not directly related to noise reduction. Part of this difference is in the period of time difference, but the major share is in the type and rate of collection.

C. Type and Rate of Collection

Northwest proposes a \$1.00 per ticket collection (plus 1% on air freight waybills) while ATA proposes 2% of passenger revenue (plus 2% on air freight waybills). The reason Northwest strongly favors a charge per ticket or per passenger is that aircraft/airport noise is an offense to the public only in the take-off and landing modes and is not a factor in high-altitude, long-range enroute flight. A 2% tax would cost a San Francisco/Washington passenger \$3.68 while the Cleveland/Washington passenger would pay only \$.86. However, the flight of each has caused noise at only two airports. In the Northwest proposal, each would pay

\$1.00, in direct relation to the two airport areas affected by each.

D. Administration

The ATA proposal provides for a special, central fund administered outside the direct control of the airlines. Whether this is a private fund as proposed or one taken over by the Government, the costs to administer such a fund are wasteful and non-productive in terms of reducing aircraft noise. Northwest proposes internally-administered funds with a simple accounting and certification to the Government.

E. Allocation

The ATA proposal has evolved as a rather complicated means of allocation to address the needs of those carriers who have through financial distress been unable to upgrade their fleets. The ATA proposal also provides that money collected from purely domestic passengers and shippers be used to retrofit or replace aircraft which operate primarily or purely in international and foreign air commerce. Northwest proposes for reasons cited above that the money taken in on each airline's aircraft, on its routes and at the cities served by it should be used for noise reduction purposes on its fleet and thus at the cities and in the districts where the money is collected. It is believed that a noise reduction program should not be in any way the vehicle by which a weaker carrier can become stronger at the expense of its competitors or past inabilities to modernize fleets of aircraft should be

compensated. Nor should the Bismarck-Chicago passenger pay for the retrofit or replacement of an aircraft operating between Paris and Rome.



NOISE REDUCTION DOLLARSSEVEN-YEAR TOTALS -- IN MILLIONS

<u>Airline</u>	<u>Passenger</u> <u>\$1 per Ticket</u>	<u>Freight</u> <u>1% of Waybill</u>	<u>Total</u>
<u>Trunks</u>			
American	\$ 161	\$11.8	\$ 172.8
Braniff	66	2.6	68.6
Continental	59	3.6	62.6
Delta	221	6.7	227.7
Eastern	202	4.8	206.8
National	40	1.8	41.8
Northwest	66	5.6	71.6
Pan American	6	1.5	7.5
Trans World	115	7.8	122.8
United	260	14.1	274.1
Western	64	2.3	66.3
Flying Tigers	-	<u>11.2</u>	<u>11.2</u>
Total Trunks	\$1,260	\$73.8	\$1,333.8
<u>Regionals</u>			
Air West	\$ 34	\$ .4	\$ 34.4
Allegheny	87	1.4	88.4
Frontier	32	.6	32.6
North Central	38	.7	38.7
Ozark	28	.6	28.6
Piedmont	30	.6	30.6
Southern	25	.3	25.3
Texas Int'l	<u>12</u>	<u>.4</u>	<u>12.4</u>
Total Regionals	\$ 286	\$ 5.0	\$ 291.0
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*Why not wait it for ever to do a Norm plane*

June 3, 1976

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*File*

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June 8, 1976

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Many tests have been made to show that the Northwest Airlines procedure achieves by far the most meaningful reduction in community noise exposure around airports. For example, The Boeing Company produced a study entitled "Airport/Community Noise Assessment - Retrofit Options - Flight Procedure Options". Their conclusions for the 727 aircraft in take-off at operational average weights were as follows: "Without thrust cutback, the quiet nacelle provides zero benefit. Thrust cutback without the quiet nacelle provides minus 12 EPNdB. Thrust cutback with the quiet nacelle provides minus 15 EPNdB." This means that a take-off procedure similar to that used by Northwest Airlines reduced the noise by 12 EPNdB which is the equivalent of a one-half reduction as perceived by the human ear. The SAM retrofit added only 3 EPNdB to that reduction, and 3 EPNdB is virtually imperceptible.



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THE WHITE HOUSE  
WASHINGTON

July 20, 1976

*Transp.*  
*Air*

MEMORANDUM FOR: JUDY HOPE  
FROM: JENNIFER MORGAN  
SUBJECT: Draft Information Memo to the President RE: Aircraft Noise

Mr. Cannon asked me to recap the instructions which he discussed with you earlier regarding this information memo.

Mr. Cannon would like the information memo to contain a one-page summary of the attached materials and to include the following information:

The memo was discussed by the Secretary of Transportation, Paul O'Neill, Bill Seidman and Jim Cannon. We need to address the problem more thoroughly. We are preparing a paper showing the problem which has to do with the aircraft and airline industry and will present the proposed options for action for the President's consideration.

Attachments



MASTER

[Aug. 1976?]

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. *STRICTER NOISE* → Should the Ford Administration initiate ~~new and more strict~~ standards and regulations for ~~new~~ U.S. commercial aircraft?
- 2. *\$3.5 BILLION PROPOSAL* If so, should the Ford Administration *ANNOUNCE A* ~~propose new measures~~ to assist U.S. airlines in paying the cost ~~(\$1 billion to \$3.5 billion)~~ of meeting the new Federal standards and regulations?

SUMMARY OF THE COLEMAN PROPOSAL

Secretary Coleman has submitted to OMB a ~~100~~<sup>100</sup> 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 ~~Federally~~ <sup>INDUSTRY-</sup> 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 <sup>600,000</sup> ~~6 million~~ Americans around ~~20~~ 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 <sup>JOB YEARS</sup> private sector. ~~was~~
4. To preserve the U.S. share of the world aircraft market. Next to agricultural products, aircraft is our biggest dollar export.

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BACKGROUND

In 1969<sup>8</sup> 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<sup>7</sup> 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 ~~in 1976~~ <sup>JULY 12, 1976</sup> against the Department of Transportation to force FAA to comply with the 1969 law.

EPA, which ~~does~~ <sup>NAS</sup> (or does not) have jurisdiction over air ~~craft~~ <sup>STO PROPOSE (BU</sup> 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 a curfew<sup>9</sup> on jet planes. But these 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.

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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.

FOR example,

NOT ENFORCE) AIRCRAFT NOISE STANDARDS,



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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 ~~the sale of U.S.~~ 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 subsidy~~ to assist the airlines in meeting the noise standards.

ACTION



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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 a ~~Federally~~-administered Aircraft Replacement Fund. *AN INDUSTRY -*
- 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.

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Arguments for:

- Secretary Coleman's proposal would provide the airlines with the capital they would need to meet the noise standards.
- It would create ~~240,000 jobs~~ *30,000 JOBS ANNUALLY* over the next eight years.
- It would bring into service a fleet of ~~quieter~~ *QUIETER* commercial airplanes that would conserve fuel (25% to 40%) and lower operating costs for airlines.

ABOUT 50% OF

(A)

(M)

- . It would make it possible for U.S. aircraft manufacturers to develop a new generation of aircraft.
- . It would follow the principle of <sup>USER-TAX</sup> ~~taxing~~ <sup>i.e.</sup> the users of aircraft ~~to meet a broad environmental objective.~~

I would pay a tax to meet an environ. need created by airplanes.

Arguments against:

A SURCHARGE TO MEET CAPITAL REQUIREMENTS OF

- . Any step to have the Federal government ~~collect a surtax and pay it directly to~~ private industry is without precedent, and would be criticized as a Federal bail-out of big business. IMPOSE
- . 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.

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Option 3. One modification of the Coleman financing proposal would be to impose the 2% environmental surtax, but permit each airline to keep the money in a separate fund and use it, under CAB guidelines, to pay for meeting noise standards.

~~(Secretary Coleman would accept this modification, but prefers his plan, Option 2).~~

Arguments for:

- . This modification would include all the advantages of Option 2, and
- ~~The Federal government would not have to~~  
~~maintain the fund.~~
- . Each airline's income from the environmental surtax would be directly related to its revenues.
- . This modification would not require special exemption from the antitrust laws.

Arguments against:

- . Pan Am and TWA, which have 169 (about one-third) of the noisy 707's and DC-8's that do not meet standards, would receive little benefit, since no ticket tax is charged on international flights.

(B)

(M)

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, Bill Seidman, and Guy Stever. *CEA*

\_\_\_\_\_ Disapprove. Recommended by OMB (Jim Lynn), Justice, ~~CEA~~, CEA (Paul McAvoy), Council on Wages and Prices, Max Friedersdorf and Jim Cannon. *Stability*

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, Bill Seidman, ~~and Guy Stever~~. *and*

\_\_\_\_\_ Disapprove. Recommended by OMB (Jim Lynn), Justice, ~~CEQ~~ (Paul McAvoy), CEQ, Council on Wages and Prices, Max Friedersdorf and Jim Cannon. *Commerce*

Option 3.

~~If Option 1 is approved, authorize the modified proposal, a 2% environmental surcharge with each airline using the money to meet noise standards.~~

~~\_\_\_\_\_ Approve. Supported by Domestic Council (Jim Cannon).~~

~~\_\_\_\_\_ Disapprove.~~

*A Commerce, CEQ, and CEA and  
Dr Stone Recommended for the status  
of the financing issue a*

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OPTION IA

Comment

I recommend against approving Secretary Coleman's financing proposal. However, if

~~(Note~~ 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.)



File  
Noise, Trans.

THE WHITE HOUSE  
WASHINGTON

INFORMATION

August 7, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *J Cannon*

SUBJECT: Secretary Coleman's Proposal on Aviation Noise Policy, and Implementing Legislation

Secretary Coleman is proposing for your review an eight-year, \$3.5 billion program, financed by airline users, to help replace today's fleet of commercial aircraft. The policy has these objectives:

1. To reduce noise levels at and around metropolitan airports. Aircraft noise is a serious problem for 6 million Americans, at 26 major airports; it is a significant problem for 60 million, at about 100 airports.
2. To stimulate the development of a new generation of aircraft. For the first time in eight years the U.S. has no new long-range aircraft suitable to replace the present fleet of planes, which will reach the end of their useful lives in the 1980's. The airline industry, in financial difficulty for some years, cannot obtain the financing to purchase new planes; therefore, they cannot finance a new prototype (which would probably cost \$1 billion).
3. To stimulate 240,000 private sector jobs in the aerospace and related industries.
4. To conserve energy. The new planes are 25 to 40 percent more fuel efficient.
5. To maintain our pre-eminent position in the international aviation marketplace in the face of stiff new competition from France and Germany. Sales of U.S. aircraft abroad are our second largest dollar export (agricultural products are first).



To finance this proposal, Secretary Coleman recommends legislation which would reduce the Federal ticket tax on airplane tickets, currently at 8 percent, to 6 percent, and simultaneously impose a 2 percent environmental surcharge on tickets. The revenues from the surcharge would go to the airlines in a special trust fund and be used to replace present noisy aircraft.

Secretary Coleman feels that EPA and FAA are under legal pressures to set new noise levels this fall. He would like to use that opportunity to meet other needs relating to jobs, energy conservation, and preservation of the aircraft industry.

Secretary Coleman, Paul O'Neill, Bill Seidman, and I have met to discuss this proposal. We outlined areas where further information is needed. An OMB action memorandum is in the process of revision after circulation among the senior staff.

Secretary Coleman feels strongly that a decision should be made by the end of August. He has been called to testify September 1 before the House Aviation Subcommittee on the Administration's policy on aviation noise.



cc: Quern  
Hope  
O'Neill

THE WHITE HOUSE  
WASHINGTON

*File: Aviation  
Noise*

August 10, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JIM CANNON

FROM:

JIM CONNOR *JCF*

SUBJECT:

Secretary Coleman's Proposal  
on Aviation Noise Policy and  
Implementing Legislation

The President reviewed your memorandum of August 7 on the above subject and made the following notation:

"Keep me posted. Very interested."

Please follow-up with appropriate action.

cc: Dick Cheney  
Jim Lynn

