

Part 2000 - General

Subpart Y - Memorandum of Cooperation Between the Civil Aeronautics Board, the Economic Development Administration, Department of Commerce, the Federal Aviation Administration, Rural Development and the Small Business Administration.

§2000.1201 General.

Rural Development has entered into a memorandum of cooperation with the Civil Aeronautics Board (CAB), the Economic Development Administration (EDA), Department of Commerce (DOC), the Federal Aviation Administration (FAA), and the Small Business Administration (SBA). The memorandum provides for an exchange of program information and the establishment of liaison and an atmosphere of cooperation with the appropriate agencies programs relating to small community air service. The Memorandum is attached as Exhibit A.

§2000.1202 Handling loan applications.

Loan applications for air service facilities are to be processed for essential community facilities in accordance with RD Instruction 1942-A, or if qualified for business & industry in accordance with RD Instruction 1980-E.

§2000.1203 Handling grant applications.

Grant applications for development of industrial sites that in turn will aid in the development of private business enterprises are to be processed in accordance with RD Instruction 442.12.

§2000.1204 State supplements.

State Directors may issue State supplements to the extent necessary to properly implement the policies of this memorandum.

§§2000.1205 - 2000.1250 [Reserved]

Attachment: Exhibit A

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Distribution: W,S,D,C

Administration

SMALL COMMUNITY AIR TRANSPORTATION
MEMORANDUM OF COOPERATION

The Chairman of the Civil Aeronautics Board (CAB); the Assistant Secretary for Economic Development (EDA), Department of Commerce (DOC), the Administrator of the Federal Aviation Administration (FAA), the Administrator of Rural Development and the Administrator of the Small Business Administration (SBA) agree to cooperate in administering their agencies' programs relating to small community air service.

I. Purpose of Agreement

The Airline Deregulation Act of 1978 has simplified the procedures for suspending air service to small communities; therefore, it is likely that local service and trunk (certificated) carriers which decide to drop service to communities that is no longer profitable will be replaced either by smaller, and at present uncertificated, air carriers or by totally new entrants. Before relieving the certificated carriers of their certificate obligations, the CAB must determine that essential air service will continue to be provided for at least 10 years. If necessary the CAB may provide a subsidy to the replacement carrier as long as it determines that the replacement carrier is fit, willing, and able to perform the essential service and that the service will meet FAA safety standards.

The purpose of this agreement is to provide support for air service needs principally in rural areas which are beyond the items mandated for the CAB in the Airline Deregulation Act by ensuring that available resources are made known and accessible to these replacement carriers. Several Federal programs are available and will be committed to this type of service, because air service to small communities provides a vital link in the national transportation system. In addition to important commercial and personal travel, air transportation can provide access to emergency medical care and quick delivery of goods necessary for the operation of business.

In recognition of the fact that an impediment to an otherwise economic service by a small carrier may be the difficulty of obtaining the necessary capital to begin or expand operations, the Federal government can provide various types of assistance and will consider providing assistance when the service is expected to be economically viable within a reasonable time consistent within the intent of the legislation authorizing the particular type of assistance. That assistance could be an aircraft loan guarantee by FAA; subsidy payments by the CAB; loans or loan guarantees from the Small Business Administration; grants and business loans and loan guarantees from EDA for airport development; and loan guarantees and grants to public bodies for industrial development, loan guarantees for businesses, and loans for community facilities by the Farmers Home Administration.

II. General Areas of Agreement (consistent with the purpose in Section 1)

All parties agree to:

1. Cooperate in providing assistance to applicants under their respective programs, and, to the degree feasible, provide consistent administration of their programs.
2. Develop through the committee to be established a list of the available programs and the procedures and contact points for obtaining assistance from each of the signatories of this agreement and provide this information to applicants for assistance;
3. Assist other agencies by providing consultation and comment in their special areas of competence as requested and consistent with available resources;
4. Consider, as appropriate, the possibility for providing Federal resources to meritorious airport site development proposals through multi-agency funding;
5. Consider, when examining the need of an applicant for assistance, whether any of the other signatories will be providing assistance to that applicant;
6. Appoint one member at the national level to a special committee created by this agreement. The committee will oversee the implementation and the cooperative administration of the agreement. It will report to all participating agencies any problems in cooperative administration of the programs and recommend changes in this agreement. The chairman will be elected from among the members. The committee will attempt to establish guidelines for reciprocity in accepting the analysis of the first agency contacted in judging the merits of an application. Special efforts will be made to provide comprehensive information on application procedures and program content for each signatory to minimize the difficulty of an applicant in determining the best method of obtaining assistance.

III. Definition of Agency Role in the Agreement

This agreement is applicable to those areas which are within the legislatively defined limitations of each agency as follows:

CAB

The CAB is authorized to determine the essential air service requirements and, if need be, to consider subsidy support for service to those communities where the sole incumbent certificated carrier has filed to suspend service beginning with the period six months prior to the enactment of the Airline Deregulation Act of 1978. After January 1, 1980, the Board may also designate additional eligible points as defined in sections 419b(1)(A) and (B) of the Act and determine essential service and subsidy, if necessary.

The Board will cooperate with the other parties to this agreement to the greatest extent consistent with the board's statutory responsibilities under section 410 of the Federal Aviation Act. The areas in which the Board will cooperate include:

1. Informing the other signatories of its decisions in determining the essential air service requirements of the affected small communities.
2. Reviewing and evaluating the specific loan application and other financial aid which Federal agencies propose to grant to air carriers for service to small communities.

EDA

EDA is able to make grants, loans and loan guarantees for projects that would result in jobs for economically depressed areas. For applications referred to EDA by other Federal signatory agencies, EDA will consider, in line with its broad legislative mandate, making Public Works grants and business loans and loan guarantees for airport development in cases where such facilities:

1. Will support or complement vital industrial or commercial facilities in areas defined by EDA to be economically distressed;
2. Retain or create a significant numbers of jobs and raise income levels; and
3. Are specifically identified by the area as a high priority within its Overall Economic Development Program or Comprehensive Economic Development Strategies.

For proposals submitted directly by applicants, EDA will apply criteria as stated above in making funding determinations, as well as cooperating with the other signatories as indicated in Section II, General Areas of Agreement.

FAA

The loan guarantee program for aircraft purchases was extended for five years by the Airline Deregulation Act of 1978 and the coverage was expanded to commuter and interstate air carriers and to charter air carriers for purchase of all cargo aircraft. FAA which has the delegated responsibility for this program will provide guarantees to commuter carriers providing service to small communities consistent with the levels authorized by Congress. The primary criteria include a determination of reasonable assurance of the applicant's ability to repay the loan.

FAA will:

1. Make a financial assessment of the carrier's ability to repay the loan;

2. Assist in determining fitness of a carrier to operate essential service;
3. Consider the size of the cities the carrier serves in assessing loan applications;
4. Provide loan guarantees to eligible commuter airlines for equipment;
5. Advise other agencies of airport development plans which relate to proposed industrial or other development; and
6. Inform the CAB of the name of any carrier granted a loan guarantee.

Rural Development

Rural Development has three programs which can support improved transportation services to small communities seeking the designation of essential air service or eligible point under the Airline Deregulation Act of 1978:

1. Business and Industrial Loans

Available to businesses and industries for activities which stimulate employment in rural areas that are not within the outer boundary of any city having a population of 50,000 or more and its immediate adjacent urbanized and urbanizing areas with a population density of more than 100 persons per square mile.

2. Industrial Development Grants

Available to public bodies for development of industrial sites that in turn will aid in the development of private business enterprises in rural areas that are not within the outer boundary of any city having a population of 50,000 or more and its immediately adjacent urbanized and urbanizing areas with a population density of more than 100 persons per square mile. Funds may be used for land acquisition, access roads, utilities, building construction and fees.

3. Community Facility Insured Loans

Available to public bodies and non-profit corporations for public use in rural areas and towns with populations of 10,000 or less. Loan funds at 5 percent interest and terms up to 40 years may be used to construct, enlarge, or improve facilities that provide essential services to rural residents.

Rural Development will:

1. Determine eligibility of applicants and proposed projects;
2. Make financial assessment of project components to be financed including repayment ability; and

3. provide loans, loan guarantees, and grants as its authorities permit.

SBA

The Small Business Administration can make loans to small business for business construction, expansion, or conversion; purchase of machinery, equipment, facilities, supplies, or materials; and for working capital. Through this agreement, the SBA will:

- 1. Make financial assessment of ability of applicants to pay back loans;
- 2. Provide loans and/or loan guarantees to applicants who meet SBA's criteria as a small business.
- 3. Notify the CAB of loans or loan guarantees granted.

/s/

Chairman
Civil Aeronautics Board

/s/

Assistant Secretary for Economic
Development
Department of Commerce

/s/

Administrator
Federal Aviation Administration

/s/

Administrator
Farmers Home Administration

/s/

Administrator
Small Business Administration