

Title 34—Government Management
CHAPTER I—OFFICE OF MANAGEMENT
AND BUDGET

Establishment of Chapter

Chapter I of Title 34 is hereby established to read as set forth above.

Executive Order 11893, dated December 31, 1975, transferred certain functions of the General Services Administration to the Office of Management and Budget (OMB) and resulted in the disestablishment of the Office of Federal Management Policy in GSA. Responsibility for many of the Federal Management Circulars (FMC's), which are codified in Parts 200 through 282, was transferred to OMB as a result of the above Executive order.

Former Parts 200, 211, 212, 213, 234, 236, 251, 252, 253, 254, 255, 256 and 257 are removed from Chapter II. The applicability of these parts is under review by the Office of Management and Budget and will be republished in Chapter I as determined necessary by the Office of Management and Budget.

Effective date: January 3, 1977.

VELMA N. BALDWIN,
Assistant to the Director
for Administration.

[FR Doc.76-38170 Filed 12-30-76;845 am]

Title 41—Public Contracts and Property
Management

CHAPTER 101—FEDERAL PROPERTY
MANAGEMENT REGULATIONS

[FPMR Amendment A-25]

SUBCHAPTER A—GENERAL

PART 101-1—INTRODUCTION

FPMR Temporary Regulations

This regulation authorizes the issuance of FPMR temporary regulations with an effective period usually of not more than 12 months.

1. The table of contents for Part 101-1 is amended as follows:

Sec.
 101-1.103 FPMR temporary regulations.

Subpart 101-1.1—Regulation System

2. Section 101-1.103 is revised as follows:

§ 101-1.103 FPMR temporary regulations.

(a) FPMR temporary regulations are authorized for publication when time or exceptional circumstances will not permit promulgation of an amendment to the Code of Federal Regulations and if the regulation will be effective for a period of 12 months or less except as provided in § 101-1.103(b), below. These temporary regulations will be codified before the designated expiration date or their effective period will be extended if it is determined that conversion to permanent form cannot be accomplished within the specified time frame.

(b) FPMR temporary regulations may have an effective period of more than 12 months when:

(1) Delegations of authority to other agencies for specific purposes are required, as in public utility representation cases; or

(2) Codification is not anticipated or is not considered practicable. In these instances a maximum time limit of 2 years will be assigned.

(Sec. 205(c), 63 Stat. 390; 40 U.S.C. 456(c))

Effective date: This regulation is effective January 3, 1977.

The General Services Administration has determined that this document does not contain a major proposal requiring preparation of an Inflation Impact Statement under Executive Order 11821 and OMB Circular A-107.

Dated: December 16, 1976.

JACK ECKERD,
Administrator
of General Services.

[FR Doc.76-38393 Filed 12-30-76;8:45 am]

Title 49—Transportation

SUBTITLE A—OFFICE OF THE
SECRETARY OF TRANSPORTATION

PART 25—RELOCATION ASSISTANCE AND
LAND ACQUISITION FOR FEDERAL AND
FEDERALLY ASSISTED PROGRAMS

Appendix A—Schedule of Moving Expense
Allowances; Individuals and Families

Section 202(b) of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, Pub. L. 91-646, 84 Stat. 1894, provides that a displaced individual or family may elect to be paid for moving expenses on the basis of a moving expense schedule. To insure statewide uniformity among all agencies operating under the Act, Federal Management Circular 74-8 (34 CFR Part 233, Appendix A) provides in paragraph 4.1 that the schedule shall be maintained by the respective State highway departments, and approved and disseminated by the Federal Highway Administration.

49 CFR 25.153 of the regulations of the Office of the Secretary, implementing the Uniform Act, directs the Federal Highway Administration to establish and maintain the moving expense schedule in Appendix A to Part 25 of Title 49 and to update it semiannually. The purpose of this amendment is to revise the current schedule, which was published on June 17, 1976 (41 FR 24588), to reflect changes in the moving expense schedules of the following States:

Table I—Personalty—Delaware, Michigan, New Hampshire, and New Jersey;
 Table II—Mobile Homes—Nevada and New Hampshire.

These changes will become effective on January 1, 1977.

Issued: December 28, 1976.

NORBERT T. TIEMANN,
Federal Highway Administrator.

Table I--Personalty

State	Occupant provides furniture										Occupant does not provide furniture	
	Number of rooms of furniture										First room	Each additional room
	1	2	3	4	5	6	7	8	9	10		
Alabama.....	60	95	130	165	200	235	270	300	.....	.....	20	15
Alaska.....	75	150	200	250	275	300	.....	.....	.....	.....	15	15
Arizona.....	50	100	150	200	250	300	.....	.....	.....	.....	25	15
Arkansas.....	70	110	150	190	230	270	300	.....	.....	.....	40	20
California.....	75	100	150	200	250	300	.....	.....	.....	.....	25	15
Colorado.....	70	110	150	190	230	270	300	.....	.....	.....	20	15
Connecticut.....	50	90	140	170	230	260	300	.....	.....	.....	15	15
Delaware.....	60	100	140	180	220	260	300	.....	.....	.....	25	15
District of Columbia.....	100	135	170	210	250	290	300	.....	.....	.....	35	15
Florida.....	60	90	120	150	180	210	240	270	300	.....	20	10
Georgia.....	55	95	130	170	200	260	300	.....	.....	.....	30	10
Guam.....	48	85	120	168	205	240	300	.....	.....	.....	10	10
Hawaii.....	65	100	135	175	215	255	295	300	.....	.....	45	30
Idaho.....	60	100	140	180	220	260	300	.....	.....	.....	20	10
Illinois.....	50	100	150	200	250	300	.....	.....	.....	.....	25	15
Indiana.....	50	90	125	160	195	230	265	300	.....	.....	25	15
Iowa.....	55	105	150	190	225	255	280	300	.....	.....	25	10
Kansas.....	60	120	180	240	300	.....	.....	.....	.....	.....	30	10
Kentucky.....	50	90	130	170	210	250	290	300	.....	.....	20	15
Louisiana.....	50	85	120	155	190	225	260	300	.....	.....	40	15
Maine.....	50	90	125	150	175	200	225	250	275	300	15	10
Maryland.....	80	110	145	185	230	275	300	.....	.....	.....	20	10
Massachusetts.....	60	130	150	190	225	250	275	300	.....	.....	25	15
Michigan.....	65	130	180	240	300	.....	.....	.....	.....	.....	50	10
Minnesota.....	65	95	125	150	175	200	225	250	275	300	25	10
Mississippi.....	75	100	160	210	260	300	.....	.....	.....	.....	40	20
Missouri.....	50	100	150	200	250	300	.....	.....	.....	.....	25	10
Montana.....	55	85	115	145	175	200	225	250	275	300	25	15
Nebraska.....	50	100	150	200	250	300	.....	.....	.....	.....	30	10
Nevada.....	50	100	150	200	250	300	.....	.....	.....	.....	25	15
New Hampshire.....	50	100	125	150	175	200	225	250	275	300	25	15
New Jersey.....	80	140	195	245	300	.....	.....	.....	.....	.....	25	15
New Mexico ¹	105	155	205	255	300	.....	.....	.....	.....	.....	(See end of table)	.....
New York.....	75	110	150	190	225	250	275	300	.....	.....	25	15
North Carolina.....	60	95	130	165	200	235	270	300	.....	.....	25	20
North Dakota.....	60	100	125	150	175	200	225	250	275	300	25	10
Ohio.....	50	100	150	200	250	300	.....	.....	.....	.....	30	10
Oklahoma.....	50	85	120	155	190	225	260	300	.....	.....	40	15
Oregon.....	60	100	140	180	220	260	300	.....	.....	.....	15	15
Pennsylvania.....	60	105	150	195	240	285	300	.....	.....	.....	20	20
Puerto Rico.....	75	105	135	165	195	225	250	275	300	.....	25	25
Rhode Island.....	50	90	125	150	175	200	225	250	275	300	25	10
South Carolina.....	95	125	165	205	235	250	270	300	.....	.....	15	10
South Dakota.....	75	130	175	210	240	290	300	.....	.....	.....	40	10
Tennessee.....	75	100	150	200	250	300	.....	.....	.....	.....	25	15
Texas.....	50	85	120	150	185	220	260	300	.....	.....	25	15
Utah.....	75	100	130	155	180	210	240	270	300	.....	25	15
Vermont.....	50	90	125	150	175	200	225	250	275	300	25	10
Virginia.....	60	80	120	160	200	240	280	300	.....	.....	30	10
Virgin Islands.....	105	150	195	240	275	300	.....	.....	.....	.....	35	35
Washington ²	70	120	150	180	210	240	270	300	.....	.....	20	10
West Virginia ³	60	100	140	180	220	260	300	.....	.....	.....	25	10
Wisconsin.....	50	90	130	170	210	240	270	300	.....	.....	25	15
Wyoming.....	50	85	120	150	185	225	265	300	.....	.....	30	15

¹Furnished units including sleeping rooms. Occupant does not own furniture.

First Room	2 Rooms	3 Rooms	4 Rooms	5 Rooms	6 Rooms	7 Rooms	8 Rooms	9 Rooms	10 Rooms
\$45	\$86	\$107	\$128	\$149	\$170	\$191	\$212	\$233	\$254

to a maximum of \$300

²For mobile homes (whether or not occupant provides furniture):

First room	Each additional room
\$50	\$25

³Where occupant does not provide furniture, allowance for 2 rooms is \$40.

RULES AND REGULATIONS

Subtitle A--Office of the Secretary of Transportation

Table II--Mobile Homes

State	Miles		Area (Square feet)		Width (Feet)		Allowance (Dollars)
	More than	But not more than	More than	But not more than	More than	But not more than	
Alabama.....			0	200			100
			200	400			150
			400	600			200
			600	800			280
			800				300
Alaska.....All trailers.....							300
Arizona.....			0	300			150
			300	400			200
			400	500			250
			500				300
Arkansas.....					0	12	200
					12	14	250
					14		300
California ¹					0	8	(see 1-end of table)
					8		
Colorado ²					0	12	250
					12		300
Connecticut ³					0	8.5	100
					8.5	10.5	150
					10.5	12.5	200
					12.5		250
Delaware.....			0	400			100
			400	600			150
			600	800			200
			800	1,000			250
			1,000				300
Florida.....			0	200			100
			200	400			150
			400	600			200
			600	850			250
			850				300
Georgia.....			0	400			95
			400	500			125
			500	600			185
			600	850			245
			850				300
Guam.....			0	300			130
			300	400			180
			400	500			210
			500	600			240
			600	700			270
			700				300
Hawaii.....			0	300			130
			300	400			180
			400	500			210
			500	600			240
			600	700			270
			700				300
Idaho.....			0	200			100
			200	400			150
			400	600			200
			600	800			250
			800				300
Illinois.....	0	24			0	8.5	100
					8.5	10.5	150
					10.5	12.5	200
					12.5		250
	24	50			0	8.5	150
					8.5	10.5	200
					10.5	12.5	250
					12.5		300

See footnotes at end of table.

RULES AND REGULATIONS

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Subtitle A--Office of the Secretary of Transportation

Table II--Mobile Homes

State	Miles		Area (Square feet)		Width (Feet)		Allowance (Dollars)
	More than	But not more than	More than	But not more than	More than	But not more than	
Indiana.....					0	8.5	150
					8.5	10.5	185
					10.5	12.5	250
					12.5		300
Iowa.....	0	25			0	8	130
					8	10	150
					10	12	180
					12		230
	25	50			0	8	140
					8	10	170
					10	12	200
					12		300
Kansas.....			0	200			80
			200	400			160
			400	600			240
			600				300
Kentucky ²					0	8	240
					8	10	285
					10	12	300
					0	10	150
Louisiana.....					10	12	175
					12	14	225
					14		275
					0	8	150
Maine.....					8	10	200
					10	12	250
					12		300
			0	200			110
Maryland.....			200	400			140
			400	600			165
			600	800			195
			800	1,000			220
			1,000	1,200			250
			1,200				300
Massachusetts.....			0	200			80
			200	400			140
			400	600			200
			600				300
Michigan.....					0	8	145
					8	10	230
					10	12	280
					12		300
Minnesota ²	0	10			0	10	125
					10	12	135
					12	14	150
					14		175
	10	25			0	10	130
					10	12	140
					12	14	155
					14		185
	25	50			0	10	140
					10	12	150
					12	14	175
					14		200

See footnotes at end of table.

RULES AND REGULATIONS

Subtitle A--Office of the Secretary of Transportation

Table II--Mobile Homes

State	Miles		Area (Square feet)		Width (Feet)		Allowance (Dollars)
	More than	But not more than	More than	But not more than	More than	But not more than	
Mississippi.....			0	300.....			150
			300	400.....			200
			400	500.....			250
			500	.....			300
Missouri.....			0	200.....			100
			200	400.....			150
			400	600.....			200
			600	800.....			250
			800	.....			300
Montana ²					0	10	135
					10	12	150
					12	14	175
					14	.....	225
Nebraska.....			0	400.....			100
			400	600.....			150
			600	800.....			200
			800	1,000.....			250
			1,000	.....			300
Nevada.....			0	400.....			150
			400	500.....			200
			500	600.....			250
			600	.....			300
New Hampshire All Mobile Homes							300
New Jersey.....			0	200.....			100
			200	400.....			150
			400	600.....			200
			600	800.....			250
			800	.....			300
New Mexico ^{2,4}	0	20.....			0	8.5	141
					8.5	10.5	181
					10.5	12.5	191
					12.5	.....	231
	20	50.....			0	8.5	161
					8.5	10.5	191
					10.5	12.5	206
					12.5	.....	246
New York.....			0	300.....			100
			300	500.....			150
			500	700.....			200
			700	800.....			250
			800	.....			300
North Carolina ^{2,5}					0	10	105
					10	12	140
					12	.....	200
North Dakota.....			0	200.....			100
			200	400.....			150
			400	600.....			200
			600	800.....			250
			800	.....			300

See footnotes at end of table.

Subtitle A--Office of the Secretary of Transportation

Table II--Mobile Homes

State	Miles		Area (Square feet)		Width (Feet)		Allowance (Dollars)
	More than	But not more than	More than	But not more than	More than	But not more than	
Ohio ²	0	10	0	320.....			130
			320	500.....			150
			500	840.....			170
			840	1,120.....			205
			1,120	.....			250
	10	25	0	320.....			135
			320	500.....			155
			500	840.....			190
			840	1,120.....			220
			1,120	.....			275
	25	50	0	320.....			145
			320	500.....			165
			500	840.....			200
			840	1,120.....			250
			1,120	.....			300
Oklahoma.....					0	10	150
					10	12	175
					12	14	225
					14	.....	275
Oregon.....			0	200.....			100
			200	600.....			200
			600	.....			300
Pennsylvania.....			0	300.....			130
			300	500.....			225
			500	800.....			275
			800	.....			300
Rhode Island.....					0	8	225
					8	10	250
					10	12	275
					12	.....	300
South Carolina ²			0	10.....			140
					10	12	150
South Dakota.....			0	10.....			230
					10	12	270
					12	.....	300
Tennessee ²			0	10.....			100
					10	.....	150
Texas.....			0	8.5.....			165
					8.5	10.5	210
					10.5	12.5	255
					12.5	14.5	300
Utah ²	0	10.....			0	8	140
					8	10	145
					10	12	165
					12	.....	200
					0	8	145
					8	10	155
	10	25.....			10	12	175
					12	.....	225

See footnotes at end of table.

RULES AND REGULATIONS

Subtitle A--Office of the Secretary of Transportation

Table II--Mobile Homes

State	Miles		Area (Square feet)		Width (Feet)		Allowance (Dollars)
	More than	But not more than	More than	But not more than	More than	But not more than	
Utah--Continued.....	25	50.....			0	8	150
					8	10	160
					10	12	190
					12		250
Vermont ⁶					0	8	155
					8	10	185
					10	12	215
					12		250
Virginia.....			0	200.....			150
			200	400.....			200
			400	600.....			250
			600	800.....			300
Washington ⁷			0	200.....			100
			200	400.....			150
			400	600.....			200
			600	800.....			250
			800				300
West Virginia.....			0	300.....			100
			300	450.....			150
			450	550.....			225
			550				300
Wisconsin.....					0	8	150
					8	10	200
					10	12	250
					12		300
Wyoming ²					0	8.5	135
					8.5	10.5	165
					10.5	12.5	185
					12.5		220

¹Width to 8' Length 40'.....\$200
 Length 40'+.....\$300
 Width over 8' Length 40'.....\$300
 Length 40'+.....\$300

²\$300 for double trailer.

³Plus \$50 for expandable trailer.

⁴Escort fee included.

⁵Personalty Only

Width-----	Under 10 feet	10 feet	12 feet and over	Doubles
	\$40	\$50	\$70	\$100

⁶\$50 for extras.

⁷Personalty Only

First room.....\$50
 Each additional room.....\$25

[FR Doc.76-38383 Filed 12-30-76;8:45 am]

CHAPTER X—INTERSTATE COMMERCE COMMISSION

SUBCHAPTER A—GENERAL RULES AND REGULATIONS

[No. MC-C-3437 (Sub-No. 6)]

PART 1047—EXEMPTIONS

Philadelphia International Airport, Philadelphia, Pa.—Exempt Zone

At a Session of the Interstate Commerce Commission, Division 1, held at its office in Washington, D.C., on the 3d day of July 1975.

It appearing, That by petition filed September 17, 1974, Scari's Delivery Service, Inc., of Wilmington, Del., requests the Commission specifically to determine, pursuant to 49 CFR 1047.40(c), the zone surrounding Philadelphia International Airport, Philadelphia, Pa., within which motor transportation of property is incidental to transportation by air and exempt from the Commission's economic regulation under section 203(b) (7a) of the Interstate Commerce Act;

It further appearing, That pursuant to section 553 of the Administrative Procedure Act, notice of the filing of the petition was published in the FEDERAL REGISTER on October 10, 1974, and persons desiring to participate in the proceeding were invited to file representations; and that initial representations in the proceeding were filed by Scari's Delivery Service, Inc., Air Cargo, Inc., on behalf of 23 certificated scheduled airlines of the United States, Pinto Trucking Service, Inc., and jointly by Air Freight Motor Carriers Conference and six named motor carriers;

It further appearing, That the above-described pleadings have been considered, and division 1 has made and filed a report herein containing its findings of fact and conclusions thereon, which report is hereby made a part hereof;

It is ordered, That section 1047.40 of the Code of Federal Regulations be, and it is hereby, amended by the addition thereto of paragraphs (d) (3) and (d) (4) as follows:

§ 1047.40 Motor transportation of property incidental to transportation by aircraft.

• • • • •
(d) • • • • •

(3) *Philadelphia International Airport (Philadelphia, Pa.)*. The area surrounding the Philadelphia International Airport at Philadelphia, Pa., within which the transportation by motor vehicle, in interstate or foreign commerce, of property having a prior or subsequent movement by air, which transportation otherwise meets the requirements of section 1047.40(a) of this part, is exempt from economic regulation by the Interstate Commerce Commission pursuant to section 203(b) (7a) of the Interstate Commerce Act, includes Greenwich, N.J., points in New Castle County, Del., and those points in Pennsylvania and New Jersey within 25 miles of either the Philadelphia International Airport or the city limits of Philadelphia, Pa.

(4) *Greater Wilmington Airport (Wilmington, Del.)*. The area surrounding the Greater Wilmington Airport near Wilmington, Del., within which the transportation of motor vehicle, in interstate or foreign commerce, of property having a prior or subsequent movement by air, which transportation otherwise meets the requirements of § 1047.40(a) of this part, is exempt from economic regulation by the Interstate Commerce Commission pursuant to section 203(b) (7a) of the Interstate Commerce Act, includes those points with 25 miles of either the Greater Wilmington Airport or the city limits of Wilmington, Del. [52 Stat. 1029, 49 U.S.C. 303(b) (7a); 52 Stat. 1237, 49 U.S.C. 304(a) (6); 56 Stat. 285, 80 Stat. 383; 49 U.S.C. 1003, 5 U.S.C. 553, 559.]

It is further ordered, That this order shall become effective on September 4, 1975, and shall continue in effect until the further order of the Commission.

And it is further ordered, That notice of this order shall be given to the general public by depositing a copy thereof in the Office of the Secretary of the Commission at Washington, D.C., and by filing the attached notice with the Director, Office of the Federal Register.

By the Commission, Division 1.

ROBERT L. OSWALD,
Secretary.

[FR Doc. 75-38476 Filed 12-30-76; 8:45 am]

Title 14—Aeronautics and Space

CHAPTER I—FEDERAL AVIATION ADMINISTRATION, DEPARTMENT OF TRANSPORTATION

[Docket No. 15264]

PART 37—TECHNICAL STANDARD ORDER AUTHORIZATIONS

Airborne Interim Standard Microwave Landing System Converter Equipment; Correction

A document amending Part 37 of the Federal Aviation Regulations by adding a new Technical Standard Order (TSO) concerning Airborne Interim Standard Microwave Landing System Converter Equipment (TSO-C93, § 37.203) was published in the FEDERAL REGISTER on October 26, 1976, (41 FR 46843; FR Doc. 76-31195). The preamble of the amendment indicated that the voltage standing wave ratio specified in paragraph 3.9 of the Federal Aviation Standard contained in the TSO was changed from the 1.7:1 originally proposed to 2.2:1. This intended change inadvertently was not reflected in the rule.

Therefore, that document (41 FR 46843; FR Doc. 76-31195) is corrected by striking the number "1.7:1" in paragraph 3.9 of the Federal Aviation Standard contained at the end of § 37.203 and inserting the number "2.2:1" in its place.

Issued in Washington, D.C., on December 27, 1976.

WILLIAM J. SULLIVAN,
Acting Director,
Flight Standards Service.

[FR Doc. 76-38479 Filed 12-30-76; 8:45 am]

CHAPTER II—CIVIL AERONAUTICS BOARD

SUBCHAPTER A—ECONOMIC REGULATIONS

[Regulation ER-980, Docket 29913 Amdt. 25]

PART 241—UNIFORM SYSTEM OF ACCOUNTS AND REPORTS FOR CERTIFICATED AIR CARRIERS

Implementing a CAB/SEC Single Reporting System and Updating the Accounting and Reporting Provisions

Adopted by the Civil Aeronautics Board at its office in Washington, D.C. December 23, 1976.

Effective: January 1, 1977.

Adopted: December 23, 1976.

In a Notice of Proposed Rulemaking dated October 12, 1976, (EDR-308, 41 FR 46324), the Board proposed to amend Part 241 of its Economic Regulations so as to establish a CAB/SEC single reporting system, incorporate into the accounting and reporting requirements new provisions which reflect recent changes in generally accepted accounting principles (GAAP), and eliminate the detailed reporting required in the area of deferred income taxes.

Pursuant to this notice, comments were received from Delta Air Lines, Inc. (Delta), The Flying Tiger Line Inc. (Flying Tiger), Hughes Air Corporation d/b/a Hughes Airwest (Airwest), National Airlines, Inc. (National), Northwest Airlines, Inc. (Northwest), Pan American World Airways, Inc. (Pan American), Southern Airways, Inc. (Southern), Trans World Airlines, Inc. (TWA), United Air Lines, Inc. (United), and World Airways, Inc. (World).

Generally speaking, the carriers commended the Board's comprehensive efforts to reduce the number of differences between its own accounting and reporting requirements and those of the Securities and Exchange Commission. The carriers also expressed strong support for the Board's concomitant effort to keep abreast of recent changes in generally accepted accounting principles and to identify and eliminate accounting and reporting requirements that are no longer necessary. There were, however, some disagreements with certain specific provisions of the proposed rule and recommendations for certain editorial changes. The comments received were quite detailed and the recommendations set forth in comments reflected a considerable expenditure of time and effort. These efforts to improve the quality of the rulemaking process are greatly appreciated.

The Board believes very strongly that one set of financial statements can be made to serve the regulatory needs of the CAB and the SEC, and eliminate the public confusion which results from different presentations of financial statements. The needs of the two agencies, and for that matter, the general public are not so dissimilar that they cannot be accommodated by the same financial statements derived from a single data base. The economies introduced by ER-948, adopted March 19, 1976, support our judgments regarding the viability of a single data base and represented the first

step in reducing the costs of supplying different financial statements to the CAB, on the one hand, and the SEC, on the other.

In our view, a single reporting system which emanates from a common data base represents the second step in a logical progression in the reduction of costs associated with supplying the regulatory agencies with information by eliminating redundancies. The final rule is consistent with this theme and the schedules made a part of the single reporting system can be used as a part of reports filed with both the CAB and SEC, thereby reducing carrier burden.

We are aware, however, that some carriers will elect not to use the single reporting system for aesthetic reasons. Among these carriers there is a feeling that the single reporting system forms provide more information than is necessary to satisfy the SEC and the general public. While these carriers will still benefit from the updated accounting provisions, the burdens of duplicative reporting they bear by having to file two different balance sheets and income statements will not be attributable to regulatory demands. They will be, in essence, burdens of choice.

Upon consideration of the comments received, the Board has decided to adopt certain portions of the proposed amendments effective January 1, 1977, and to defer other portions pending further consideration. Except as modified herein, we will make final the provision for a CAB/SEC single reporting system comprised of five schedules which we are advised by the SEC can be used in annual SEC reports¹ and all those portions of the proposed rule which would incorporate recent changes in generally accepted accounting principles. Action will be deferred on four schedules which had been contemplated as a part of the CAB/SEC single reporting system in the original proposal as well as on the implementation of the single reporting concept for all but one of the quarterly reports.

The Board will, for the reasons stated hereinafter, make provisions for an annual single CAB/SEC reporting system which includes: Schedule B-1, "Balance Sheet"; Schedule P-1.1, P-1.2, "Statement of Operations"; Schedule B-12, "Statement of Changes in Financial Position"; Schedule B-3, "Statement of Changes in Stockholder's Equity"; and Schedule B-2, "General Notes to Financial Statements." In addition, we are advised by the SEC that Schedule B-1 can also be used in quarterly reporting to the

SEC. The Board will also incorporate, with some modification, the proposed accounting changes which relate to foreign currency translations and marketable equity securities and eliminate the detailed reporting required in the area of deferred income taxes.

CAB/SEC SINGLE REPORTING SYSTEM

The decision to implement the CAB/SEC single reporting system reflects a determination made in light of carrier comments that the benefits of single reporting, present and future, outweigh the initial burden which would result from the accounting and reporting changes made in the final rule. Carriers who avail themselves of the single reporting system will have their burdens reduced in the long run by those features which will enable them to use CAB Form 41 schedules as a part of their SEC filing. In addition, those carriers who do not avail themselves of the single reporting system will derive benefit from the minimization of differences between CAB regulations and report forms on the one hand and generally accepted accounting principles on the other. More specifically, carriers who file consolidated financial statements with the SEC will obtain benefits from the amendments in the final rule because it will become easier to consolidate the transportation entity into the other entities which comprise the report.

As with any new system, the Board anticipates that the tangible benefits of this new concept will grow as carriers become more familiar with the changes. Thus the Board was not persuaded by World's comments that few carriers will actually benefit from the changes proposed in EDR-308.

Two other carriers, Northwest and Southern, expressed opposition to the adoption of the single reporting system. Northwest's objections were based upon the belief that the proposed changes in CAB accounting and reporting requirements would be burdensome to the carriers and unacceptable to the SEC. Southern stated, *inter alia*, that the changes to their internal automated accounts linking system would require a large expenditure of manpower and machine time.

Both Northwest's and Southern's comments upon the reporting burden should be mollified somewhat by the decision not to finalize, in this rulemaking, modifications to all nine of the schedules originally contemplated in EDR-308. Moreover, the Board is confident that Northwest's objections with respect to SEC acceptability will be put to rest in the more detailed discussions that follow; particularly when it is understood that these changes are not intended to supplant SEC requirements. At the outset, we do acknowledge that Schedules B-3 and B-12 will have to be retyped by carriers for submission to the SEC. The CAB requires these schedules filed for the fourth quarter to encompass the activities of a single quarter while the SEC requires its counterpart to encompass the

activities of all four quarters. However, we do not anticipate that this will create a significant burden because the reported data will already be available from the preceding quarterly reports in the exact format needed for submission to the SEC.

Southern's comments which relate the proposed changes to their internal accounting systems suggest an inflexibility which in itself could be considered burdensome. If inflexibility exists in fact, and the Board is not now convinced that it does exist, such an inflexibility should not be used as the basis for a decision which would affect all other carriers. The absence of similar comments by other carriers has not indicated that Southern's suggested inflexibility is a common circumstance. As a result, the Board was not persuaded by Southern's comments that the burdens would be excessive.

In order to facilitate discussion of the carrier comments, the major objections raised and suggestions made by the respondents will be discussed under separate captions below.

A. Fiscal Year versus Calendar Year. At present, there are three carriers who conduct their business on a fiscal year rather than calendar year basis. National, one of these three carriers, indicated in their comments that the proposed rule would require them to generate year-end data twice whether or not they choose to avail themselves of the single reporting system. They say that this would be attributable to the submission of year-end data to the SEC at the close of the fiscal year and year-end data to the CAB at the close of the calendar year. As a result, they contend that the adoption of EDR-308 as proposed would place an unfair burden on National. As an alternative, National suggests that fiscal year carriers be permitted to file CAB year-end schedules at the close of their fiscal year instead of the close of the calendar year and, in addition, be permitted the same 90-day period in which to file the schedules which the proposed regulation would allow calendar year carriers.²

The National comment deals with a long-standing provision of Part 241 which requires air carriers to maintain an accounting year which coincides with the calendar year. Over the years, exceptions to this practice have been permitted with the understanding that, for CAB reporting purposes, the carrier would remain subject to the Board's reporting requirements as if it were maintaining its books on a calendar-year basis. As a result, much of National's objection relates to annual CAB schedules which are not a part of the single reporting system. These schedules would not be filed twice as National apparently

² Current regulations permit carriers a 90-day period in which to file calendar year-end reports provided that certain preliminary schedules are filed on or before their prescribed due dates. This same provision was carried into the proposed rule without change.

¹ This regulation updated the Board's accounting and reporting requirements by incorporating recent changes in generally accepted accounting principles into Part 241.

² In a letter from Mr. George A. Fitzsimmons, Secretary of the SEC, dated September 1, 1976, which was included as Exhibit A in EDR-308, the Commission indicated that it will accept CAB Form 41 schedules specifically designed for inclusion in SEC annual Form 10-K and quarterly Form 10-Q reports filed under the Securities Exchange Act of 1934, as amended.

presupposes.⁴ To the extent National's objections do relate to schedules which will form a part of the single reporting system, it should be noted that the proposal to include Schedule B-46, "Long-Term and Short-Term Nontrade Debt," in the single reporting system has been deferred. Moreover, the requirements applicable to Schedule B-2, "General Notes to Financial Statements," have been amended to preclude the possibility of duplicative reporting burden (this is discussed in detail under another caption). As can be seen, much of the burden pointed out by National is either not attributable to EDR-308 or will be diminished in the final rule.

We are well aware of the fact that the SEC does not place similar accounting year constraints upon its registrants. However, the Board is not persuaded by National's comments to change its calendar year reporting policy and we remain of the view that the interests of comparatively, timely analysis, and early dissemination of carrier data are best served by maintaining a common accounting year. National's suggestions, to this extent, will not be incorporated into the final rule.

B. Notes to Financial Statements. Northwest and TWA objected to the proposed incorporation of SEC footnote disclosure requirements into the reporting instructions for CAB Schedule B-2, "General Notes to Financial Statements," a schedule applicable to all carriers. They pointed out that SEC footnote disclosure requirements are far more extensive than current CAF footnote disclosure requirements and would, therefore, result in an increased burden upon those carriers who do not intend to avail themselves of the benefits of the single reporting system. As an alternative, TWA suggests that carriers be permitted to comply with the Schedule B-2 requirement by submitting a photocopy of the notes to financial statements which accompany their consolidated SEC 10-K reports.

We are in agreement with Northwest's assertion that the SEC footnote disclosure requirements are more encompassing than current CAB requirements and that a considerable burden attaches itself to the preparation of SEC footnotes. For this reason, the Board has decided to amend the reporting requirements for Schedule B-2 so that it will apply only to those carriers who could utilize the SEC/CAB single reporting system whether they elect to use it or not. In addition, the final rule will permit air carriers who are on a fiscal year basis to file this schedule at the end of the quarter nearest to the end of the reporting carrier's fiscal year.⁵

⁴ The schedules normally filed at calendar year end, such as Schedule B-44 "Summary of Resources Exchanged with Affiliated Group Members and Other Associated Companies," would be filed only once a year regardless of the single reporting system.

⁵ This should remove National's objections to duplicate reporting on Schedule B-2 which was discussed earlier in this Preamble and provide a form of relief more acceptable to the Board than TWA's suggestion.

While all carriers will remain subject to the filing requirements of quarterly Schedule P-2, "Notes to CAB Form 41 Report," those carriers who filed schedule B-2 will not be obligated to report those items which were already included on schedule P-2. In this regard, we have noted that footnotes provided on schedule P-2 in the past have varied greatly between carriers. Accordingly, we have clarified that the informative footnote disclosure on this schedule shall conform at the end of each carrier's fiscal year, with the requirements contained in generally accepted accounting principles. Therefore, this disclosure will be no less than that reported either on the carrier's annual report or to SEC.

C. Year-to-date versus Twelve-months-to-date. Delta, Flying Tiger, and Northwest mentioned that there was an inconsistency between the format of Schedule P-1.1/P-1.2, "Statement of Operations," and the data required by the SEC. They stated that the schedule proposed in EDR-308 would require twelve-months-to-date information while the SEC requires year-to-date information—essentially an accumulation of the financial results of operations since the close of the preceding business year.

In the final rule, this incongruity will be remedied by adding a third column to schedule P-1.1 and schedule P-1.2. The third column will provide for the reporting of fiscal year-to-date results and, for the fourth quarter of the carrier's fiscal year, the additional column will be used to report the results of the prior year so that comparative data can be presented in the same schedule at year end. Indeed since most, if not all, air carriers are already accumulating and maintaining year-to-date information for reporting to the SEC or for internal management purposes, the inclusion of such data in a third column would obviously represent a minimal burden for the carriers.

D. Restatements of Prior Periods and Earnings per Share. Delta suggested that the Board should go one step further with its single reporting system and permit restatement of prior period financial statements. Such an action, they stated, would bring the Board's accounting requirements into still greater alignment with GAAP and SEC requirements.

Until now the regulations have not permitted carriers to restate the financial results of operations of prior periods. This is attributable to the analytical problems created by the loss of specific data which often accompanies such restatements. Because of the precision that is required for regulatory purposes, the Board is unwilling to grant a blanket permission to restate the results of prior periods even though such restatements under GAAP are rare. However, the Board is willing to treat requests for permission to restate prior period results, just as it would any other waiver request.

On another subject which deals with reporting the results of operations, it was noted that SEC requirements include computations of earnings per share on a quarterly basis. The carriers should be aware of the fact that computations of

earnings per share need be reported only when Schedule P-1.1/P-1.2 is used in reporting to the SEC. Carriers should also be aware of the fact that for quarterly reporting to the SEC in the 10-Q report, additional columns will be necessary in order to provide comparative quarterly data and comparative year-to-date data. The carriers must comply with this SEC requirement by their own means. Again, we emphasize that this single reporting system is not intended to have CAB schedules satisfy all SEC requirements; rather, it is designed to permit dual use in every instance where the formats permit dual use. In any event, carriers will still be required to use their own initiative in complying with SEC requirements for reporting, such as certification by an independent accountant, which go beyond those of the CAB.

E. Reconciliation Required by Part 248. In connection with the submission of audit and reconciliation reports required by Part 248 of the Board's Economic Regulations, Northwest points out that differences between CAB Form 41 Schedules B-1, "Balance Sheet" and P-1.2, "Statement of Operations" and balance sheets and income statements contained in annual audit reports may occur whether or not the carriers choose to avail themselves of the single reporting system. We acknowledge that differences may occur between these reports and, accordingly, the applicability of Part 248 will be unchanged by this rule. It is still our intention, however, to relieve carriers from filing the audit and reconciliation reports where the financial statements filed with the Board and those contained in the audit report are identical for all intents and purposes. We will entertain waiver requests in such cases where carriers decide to initiate a policy of presenting identical balance sheets and income statements.

F. Other Clarifications. In addition to the foregoing, several other matters surfaced during our review of the comments, in light of SEC and CAB regulations, which deserve mention. First, it should be noted that an apparent inconsistency between Part 241 and GAAP which deals with commitments and contingent liabilities has been corrected in the final rule. Commitments and contingent liabilities will be footnoted and an appropriate indication will be made on the face of Schedule B-1, "Balance Sheet."

Further clarification has been added to the accounting provisions which deal with valuation reserves, tax rates used in income tax provisions, and accounting for foreign nontransport subsidiary companies.

The Board is also aware that matters such as the capitalization of interest and the use of Account 1870, "Property Acquisition Adjustment," may pose obstacles to future use of the single reporting system. However, a review of annual report reconciliation statements indicates that adjustments in these areas for published financial statements have not been necessary. As a result, we do not believe any immediate changes are necessary. Nevertheless, these matters are now re-

ceiving active consideration and any inconsistencies between the Board's regulations and generally accepted accounting principles which arise will be resolved on a case by case basis.

Northwest also raised a number of other technical and editorial issues which have been remedied in the final rule such as the use of the word "reserve" where the use of the word "allowance" is more widely accepted, the erroneous reference in proposed section 2-7 as it was set forth in EDR-308, and the clarifications with respect to the account used to record improvements to leased buildings. In other instances Northwest made suggestions which the Board did not feel were necessary such as the elimination of accounts 92.1, 92.2, and 92.3 in accounting for income taxes and the establishment of asset subaccounts in another instance. Nevertheless, all of the more detailed comments of Northwest have been taken into consideration in the development of the final rule.

FOREIGN CURRENCY TRANSACTIONS

Northwest and TWA objected to that portion of the proposed rule which would require each asset, liability, revenue or expense denominated in a foreign currency to be translated into U.S. dollars based upon exchange rates in effect at the transaction date. Northwest and TWA both pointed out that the requirement contemplated in the proposed Section 2-3 (b) would be impractical in view of the thousands of daily transactions conducted by international air carriers.

Upon further consideration, the Board believes that there is merit in the assertion that translation into U.S. dollars at each transaction date would be impractical. As a result, the final rule will permit air carriers to utilize an average exchange rate for those assets and liabilities translated at current rates, provided that the average rates used are determined on a monthly basis. Since the use of an average exchange rate is not precluded by Financial Accounting Standards Board Opinion No. 8 (FASB Statement No. 8), there will be no inconsistency between the Board's final rule and generally accepted accounting principles as currently applied.

Also in connection with foreign currency translations, Airwest and Northwest objected to the proposed treatment of all gains or losses from foreign exchange translations as nonoperating gains or losses. They pointed out that this treatment is a significant departure from the current regulations which categorize such gains or losses as operating items and expressed the view that the current operating classification is more appropriate. In support of their contentions, they indicate that current and routine losses from foreign exchange fluctuations have been traditionally considered a normal cost of doing business. Going still further, Airwest appeared to advocate the treatment of all translation gains or losses as operating.

The Board has been persuaded by the comments of Northwest to reinstate in

the final rule an objective account in the operating expense category which will be used to record gains or losses from current and routine fluctuations in foreign exchange rates. The account provided in the nonoperating category will continue to be used to record gains or losses from abnormal and nonroutine fluctuations and gains or losses arising from long-term debt transactions. Thus, the Board has not accepted the position which Airwest advocated, principally because it ignores the distortions which can result from large and, therefore, abnormal fluctuations.

MARKETABLE EQUITY SECURITIES

Northwest pointed out that in the establishment of valuation accounts, the final rule should establish a valuation account for CAB Account 1100, "Short-term Investments" similar to that provided by the proposed establishment of CAB Account 1530.2, "Allowance for Unrealized Gain or Loss on Marketable Securities." Otherwise, Northwest indicates that there may be some confusion as to whether or not Account 1530.2 would serve as the valuation for both current and noncurrent marketable equity securities.

After reflecting on this point, it has been decided that there is no need to establish within the formal account structure of Part 241 separate valuation allowance accounts such as 1530.2 in either the current or noncurrent category. The requirement to carry marketable equity securities at the lower of aggregate cost or market value determined at the balance sheet date makes valuation allowances implicit within the account provided and this is viewed as being sufficient for our needs. Consistent with the thrust of FASB Statement No. 12, changes in the valuation allowance for a marketable equity securities portfolio included in current assets shall be included in the determination of net income by recording them in Account 8188.3, "Net Unrealized Gain or Loss on Marketable Securities." Also in the final rule and consistent with FASB Statement No. 12 is a provision for accumulated changes in the valuation allowance for a marketable equity securities portfolio included in noncurrent assets to be recorded in the equity section in Account 2950, "Net Unrealized Loss on Noncurrent Marketable Securities." Realized gains or losses as proposed will be recorded in Account 8188.4, "Net Realized Gain or Loss on Marketable Equity Securities."

It is proposed in EDR-308 that these changes should be made effective January 1, 1977, in order that the single reporting schedules be made available for the carriers' benefit in reporting to the SEC in calendar year 1977. It is important to accomplish a transition of this type so as to encompass an entire accounting year and thereby avoid the inconsistencies that would result from a change in accounting procedures during an accounting year. Therefore, so that

the carriers can take full advantage of the scaling down of accounting and reporting changes included herein, we find good cause to make this rule effective on less than 30 days' notice.

In consideration of the foregoing, the Board hereby amends Part 241 of the Economic Regulations (14 CFR Part 241) effective January 1, 1977, as follows:

1. Amend the Table of Contents of the Uniform System of Accounts and Reports by revising the titles of Section 2-6 Federal income tax accruals, Section 2-7 Delayed items, Section 5-5 Deferred charges, and Section 5-8 Deferred credits so that the list in pertinent part reads:

- 2-5 Liability accruals.
- 2-6 Income tax accruals.
- 2-7 Extraordinary items, discontinued operations, prior period adjustments, and accounting changes.
- 2-8 Unaudited items.
- 2-12 Acquisition and valuation of assets.
- 2-13 Establishment of allowances.
- 2-14 Depreciation and amortization.
- 5-4 Property and equipment depreciation and overhaul.
- 5-5 Other assets.
- 5-6 Current liabilities.
- 5-7 Noncurrent liabilities.
- 5-8 Deferred credits and commitments and contingent liabilities.
- 5-9 Stockholder equity.

2. Amend Section 03—Definitions for Purposes of This System of Accounts and Reports to insert new definitions and to revise existing definitions as follows:

A. By revising the definition of "Cost, book" to read:

Cost, book—the amount at which an asset is recorded in an account without the deduction of amounts in related allowances or other accounts.

B. By revising the definition of "Cost, depreciated" to read:

Cost, depreciated—the cost of property and equipment less the related allowances for depreciation.

C. By adding a new definition immediately following "Equipment" to read:

Equity security—any instrument representing ownership shares (for example, common, preferred, and other capital stock), or the right to acquire (for example, warrants, rights, and call options) or dispose of (for example, put options) ownership shares in an enterprise at fixed or determinable prices. The term does not encompass preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor, nor does it include treasury stock or convertible bonds.

D. By adding two new definitions immediately following "Expense, capital stock" to read:

Exposed net asset position—the excess of assets that are measured or denominated in foreign currency and translated at the current rate over liabilities that are measured or denominated in foreign

currency and translated at the current rate.

Exposed net liability position—the excess of liabilities that are measured or denominated in foreign currency and translated at the current rate over assets that are measured or denominated in foreign currency and translated at the current rate.

E. By adding three new definitions immediately following "Flight stage" to read:

Foreign currency transactions—transactions (for example, sales or purchases of goods or services or loans payable or receivable) whose terms are stated in a currency other than the currency of the United States.

Foreign currency translation—the process of expressing amounts denominated or measured in one currency in terms of another currency by use of the exchange rate between the two currencies.

Forward exchange contract (forward contract)—an agreement to exchange at a specified future date currencies of different countries at a specified rate (the forward rate). The purpose of a forward contract may be to hedge either a foreign currency commitment or a foreign currency exposed net asset position or exposed net liability position or to speculate in anticipation of a gain.

F. By revising the definition of "Group basis (in depreciation accounting)" to read:

Group basis (in depreciation accounting)—a plan under which (1) depreciation is based upon the application of a single depreciation rate to the total book cost of all property included in a given depreciable property and equipment account or class, despite differences in service life of individual items of property and equipment, (2) the full original cost, less any salvage realized, of an item of depreciable property or equipment retired is charged to the allowance for depreciation regardless of the age of the item, and (3) no gain or loss is recognized on the retirement of individual items of property or equipment.

G. By adding three new definitions immediately following "Mail, priority" to read:

Marketable (as applied to an equity security)—an equity security as to which sales prices or bid and ask prices are currently available on a national securities exchange (that is, those registered with the Securities and Exchange Commission) or in the over-the-counter market. In the over-the-counter market, an equity security shall be considered marketable when a quotation is publicly reported by the National Association of Securities Dealers Automatic Quotations System or by the National Quotations Bureau, Inc. (provided, in the later case, the quotations are available from at least three dealers). Equity securities traded in foreign markets shall be considered marketable when such markets are of a breadth and scope comparable to those referred to above. Restricted stock (that is, securities for which sale is restricted

by a governmental or contractual requirement) does not meet this definition. However, if any portion of such restricted stock can reasonably be expected to qualify for sale within one year, such securities are not considered restricted.

Market price—the price (see also the definition of Marketable—as applied to an equity security) of a single share or unit of a marketable equity security.

Market value (equity security)—aggregate market price of all shares or units of each marketable equity security in the portfolio. When an air carrier has taken positions involving short sales, sales of calls, and purchases of puts for marketable equity securities and the same securities are included in the portfolio, those contracts shall be taken into consideration in the determination of market value of the marketable equity securities.

H. By adding a new definition immediately following "Modification" to read:

Net Unrealized gain or loss, marketable equity securities portfolio—represents the difference between the market value of marketable equity securities and their aggregate cost at any given date.

I. By adding a new definition immediately following "Property (as applied to traffic)" to read:

Realized gain or loss, marketable equity security—the difference between the net proceeds from the sale of a marketable equity security and its cost.

J. By adding a new definition immediately following "Unit basis (in depreciation accounting)" to read:

Valuation allowance, marketable equity securities portfolio—the net unrealized loss (the amount by which aggregate cost exceeds market value) in that portfolio.

3. Amend Section 1-9—Conversion of this System of Accounts and Reports by revising paragraphs (b), (c), and (d) to read in pertinent part as follows:

Sec. 1-9 Conversion of this system of accounts and reports.

(b) Any adjustments of allowances for depreciation, . . .

(c) Any allowance accumulated for obsolescence of flight equipment spare parts and assemblies shall be divided between the portion applicable to flight equipment expendable parts and flight equipment rotatable parts and shall be recorded in the applicable allowance accounts.

(d) Any provision of this system of accounts respecting allowances for depreciation, or other valuation of assets, shall be made applicable as at the effective date of this regulation to all assets then existing as well as to assets subsequently acquired against which the accrual of allowances would be appropriate.

4. Amend Section 2-1—Basis of Allocation between Entities by revising paragraph (c) to read in pertinent part as follows:

Sec. 2-1 Basis of allocation between entities.

(c) For purposes of this section, investments by the air carrier in resources or facilities used in common by the regulated air carrier activity and those transport-related revenue services defined as separate nontransport ventures under section 1-6(b) shall not be allocated between such entities but shall be reflected in total in the appropriate accounts of the entity which predominantly uses the facility or resource. Where the entity of predominate use is a nontransport venture, the air carrier shall reflect the investment in account 1520, Advances to Associated Companies.

5. Amend Section 2-3—Transaction in Foreign Currencies by revising the text to read as follows:

Sec. 2-3 Transactions in foreign currencies.

(a) All accounts provided herein shall be stated in terms of United States dollars.

(b) At each transaction date, each asset, liability, revenue, or expense arising from a transaction denominated in a foreign currency shall be translated into United States dollars by use of the exchange rate in effect at that date, and shall be recorded at that dollar amount. If the translation of each transaction is impractical, the use of an average exchange rate for the period will be permitted provided that the results obtained do not differ materially from those that would be achieved through the use of a daily rate.

(c) At the balance sheet date for each quarterly accounting period, recorded dollar balances representing cash and amounts owed by or to the carrier that are denominated in a foreign currency shall be adjusted to reflect the current rate of foreign exchange. In addition, debt securities held by the carrier that are essentially equivalent to notes receivable shall also be adjusted to reflect the current rate of exchange.

(d) At the balance sheet date for each quarterly accounting period, assets carried at market whose current market price is stated in a foreign currency shall be adjusted to the equivalent dollar market price at the balance sheet date (that is, the foreign currency market price at the balance sheet date multiplied by the current rate).

(e) Translation of accounts in foreign statements that are carried at exchange prices shall be in a manner that retains their measurement bases as follows:

(1) Accounts carried at prices in past exchanges shall be translated at historical rates; and

(2) Accounts carried at prices in current purchase or sales exchanges or future exchanges shall be translated at the current rate.

(f) Exchange gains and losses which result from the application of the pro-

visions of paragraphs (a), (b), (c), (d) and (e) of this section shall be included in determining net income for the accounting period in which the rate changes. Such gains or losses which result from normal, routine, current fluctuations in rates of foreign exchange shall be charged to Accounts 6876 or 6976, Foreign Exchange Gains and Losses. Gains or losses of a nonroutine abnormal character and gains or losses which rise from long-term debt principal and interest transactions shall be charged to account 8185, Foreign Exchange Gains and Losses. See paragraph (h) for circumstances under which a gain or loss on a foreign currency transaction may be deferred.

(g) A gain or loss applicable to a forward exchange contract shall be included in determining net income by charging account 8185 for the accounting period in which the rate changes if the gain or loss pertains to a forward contract that is intended to be a:

(1) Hedge of a foreign currency exposure of net asset or net liability position;
(2) Hedge of a foreign currency commitment that does not meet the following conditions:

(i) The life of the forward contract extends from the foreign currency commitment date to the anticipated transaction date or a later date.

(ii) The forward contract is denominated in the same currency as the foreign currency commitment and for an amount that is the same or less than the amount of the foreign currency commitment.

(iii) The foreign currency commitment is firm and uncancelable; or,

(3) Speculation.

(h) A gain or loss shall be deferred and included in the measurement of the dollar basis of the related foreign currency transaction if the gain or loss pertains to a forward contract that is intended to be a hedge of an identifiable foreign currency commitment that meets all of the conditions described in paragraph (g)(2)(i) through (iii) of this section. Losses on a forward contract shall not be deferred, however, if deferral could lead to recognizing losses in later periods.

6. Amend Section 2-5—Liability Accruals by revising the text to read as follows:

Sec. 2-5 Liability accruals.

(a) Charges shall be made against income and accruals made only if it is probable that an asset has been impaired or a liability incurred at the end of the reporting period and the amount of the asset impairment or liability can be reasonably estimated.

(b) Where obligation has accrued in accounting for pension cost, deferred compensation, vacation pay, and other employment-related costs, an estimate may be made of the currently existing liability on such actuarial or other bases as can be justified from available information, provided that balances are re-evaluated and adjusted at least once

each accounting year to accurately reflect the true detriment (or cost) to the air carrier.

7. Amend Section 2-6—Income Tax Accruals by revising the text of paragraphs (a), (b), and (c) as follows:

Sec. 2-6 Income tax accruals.

(a) All income taxes shall be accrued by proportionate charges or credits to income in each calendar quarter and shall reflect the application of the effective tax rate expected to be applicable for the full year exclusive of tax related to significant unusual or extraordinary items that are separately disclosed or included net of tax in the reporting period. The interperiod tax allocation method shall be applied for all material timing differences between pretax accounting income and taxable income.

(b) The tax effect of timing differences which increase or decrease taxes currently payable shall be recognized in balance sheet account 2340, Deferred Income Taxes. Any resulting net debit balance in this account shall be treated for statement purposes as a special subaccount in balance sheet account 1890, Other Assets. In effecting these accruals, records with respect to deferred taxes (including foreign, state, and local taxes based upon income) shall be maintained in accordance with the provisions of balance sheet account 2340, Deferred Income Taxes.

(c) At the option of the air carrier, investment tax credits may be treated as a reduction of income tax expense in the year they are actually realized (flow-through method) or they may be deferred and amortized over the useful life of the property to which it relates and they shall be accounted for in accordance with the provisions of balance sheet accounts 2130, Accrued Taxes, 2340, Deferred Income Taxes, and 2345, Deferred Investment Tax Credits.

8. Amend Section 2-7—Extraordinary Items, Discontinued Operations, Prior Period Adjustments, and Accounting Changes by revising the last sentence of paragraph (e) to read as follows:

Sec. 2-7 Extraordinary items, discontinued operations, prior period adjustments, and accounting changes.

(e) * * * For the purposes of this system of accounts and reports, discontinued nontransport operations shall refer to the disposal of investor controlled companies and the cessation of nontransport operations, the results of which are accounted for through profit and loss objective accounts 86, 87, and 88.2.

9. Amend Section 2-10—Capitalization of Interest by revising paragraph (a) and (d) to read as follows:

Sec. 2-10 Capitalization of interest.

(a) Interest may be capitalized on funds actually committed as equipment purchase deposits or actually used to finance the construction or acquisition of operating property from the date the

funds are first so employed to the date the property is ready for use: *Provided*, That the capitalization will be limited in both time and amount to the reasonable requirements of such funds and that it may include interest on funds set aside and carried in balance sheet account 1550 Special Funds—Other and account 1685 Equipment Purchase Deposits and Advance Payments for a period not to exceed 6 months in advance of the date they are scheduled under a legally binding contract to be committed for payment to the manufacturer or contractor.

(d) Interest capitalized under paragraph (a) or (b) of this section 2-10 shall be charged to the balance sheet account in which the funds are carried (1550, 1685, 1689, or 1830) and credited to profit and loss subaccount 83.4—Interest Capitalized—Credit or, imputed interest, to profit and loss subaccount 83.1—Imputed Interest Capitalized—Credit. Interest capitalized under paragraph (a) of this section shall be recorded in such a manner as to facilitate audit and, upon completion of the project, shall be transferred to subaccounts of the appropriate property balance sheet accounts as a cost of the related asset. When imputed interest is capitalized, a concurrent entry shall be recorded by debiting profit and loss subaccount 83.2—Imputed Interest Deferred—Debit and crediting balance sheet account 2390 Other Deferred Credits which shall be cleared to profit and loss subaccount 83.3—Imputed Interest Deferred—Credit periodically as the amount of such interest in the asset accounts is written off.

10. Amend Section 2-11—Accounting for Transactions in Gross Amounts by revising paragraph (a) to read in pertinent part as follows:

Sec. 2-11 Accounting for transactions in gross amounts.

(a) All assets and liabilities shall be stated in balance sheet presentations in gross values, provided that all depreciation, provisions for uncollectible accounts and other valuation allowances shall be offset against the class of asset to which related. * * *

11. Amend Section 2-12—Acquisition and Valuation of Assets by revising paragraph (a) to read as follows:

Sec. 2-12 Acquisition and valuation of assets.

(a) * * *

(2) Spare parts and materials of a class for which the accrual of allowances for loss in value * * *

(3) The carrying amount of a marketable equity securities portfolio shall be the lower of its aggregate cost or market value, determined at the balance sheet date. The amount by which aggregate cost of the portfolio exceeds market value shall be accounted for as a valuation al-

lowance. (See paragraph (a) (6) of this section.)

(4) Marketable equity securities owned by a carrier shall be grouped into separate portfolios according to the current or noncurrent classification of the securities for the purpose of comparing aggregate cost and market value to determine carrying amount.

(5) If there is a change in the classification of a marketable equity security between current and noncurrent (accounts 1100 and 1530, respectively), the security shall be transferred between the corresponding portfolios at the lower of its cost or market value at the date of transfer. If market value is less than cost, the market value becomes the new cost basis, and the difference shall be accounted for as if it were a realized loss and included in the determination of net income by charging account 8188.4

(6) Changes in the valuation allowance for a marketable equity securities portfolio included in current assets shall be included in the determination of net income of the period in which they occur by charging account 8188.3. Accumulated changes in the valuation allowance for a marketable equity securities portfolio included in noncurrent assets shall be included in the equity section of the balance sheet and shown separately in account 2950.

(7) For those marketable securities for which the effect of a change in carrying amount is included in stockholders' equity rather than in net income, a determination must be made as to whether a decline in market value below cost as of the balance sheet date of an individual security is other than temporary. If the decline is judged to be other than temporary, the cost basis of the individual security shall be written down to a new cost basis and the amount of the write-down shall be accounted for as a realized loss by charging account 8188.4. The new cost basis shall not be changed for subsequent recoveries in market value.

12. Amend Section 2-13—Establishment of allowances by changing the title and revising the text to read in pertinent part as follows:

Sec. 2-13 Establishment of allowances.

(a) Provisions for allowances covering loss contingencies, which are not accruable because it is less than probable that an asset has been impaired or a liability has been incurred as of the report date and/or the amount of the loss cannot be reasonably estimated, are permitted as an appropriation of retained earnings and shall be maintained as a subaccount of 2900 Retained Earnings. When accrued losses and related costs

are incurred, they shall not be charged to the appropriation and at no time shall the appropriation be transferred in whole or in part to income.

(b) All allowances shall be classified in * * *

(c) [Reserved]

(d) Additional allowances over those prescribed in this system of accounts may be established for the purpose of allocating expense charges between calendar quarters of each accounting year in accordance with operations performed, in the event such expenditures are part of a specific program to which the air carrier is demonstrably committed and are of sufficient magnitude to significantly distort the financial results of the current quarter if expensed directly. Each air carrier shall submit, for approval by the Civil Aeronautics Board, a plan for each such equalization allowance which shall set forth the proposed accounting and rates of accrual. Such plans shall provide for the liquidation of each expense allocation allowance at the close of each accounting year. Allocation allowances shall not be used in respect to items of which spread over a cycle of longer than one year. (See section 22(d) or 32(d), as applicable.)

13. Amend Section 2-14—Depreciation and Amortization by revising paragraph (a) to read in pertinent part as follows:

Sec. 2-14 Depreciation and amortization.

(a) Depreciation shall be calculated by the air carrier in such a manner as will prevent the charging of either excessive or inadequate expense or the accumulation of excessive or inadequate allowances, and shall be based * * *

14. Amend Section 2-15—Contingent assets and contingent liabilities by revising the text to read as follows:

Sec. 2-15 Contingent assets and contingent liabilities.

Contingent assets and contingent liabilities shall not be included in the body of the balance sheet but shall be explained in the footnotes to the financial statements.

15. Amend Section 2-18—Transactions between Members of an Affiliated Group by revising paragraphs (b), (c), and (d) to read in pertinent part as follows:

Sec. 2-18 Transactions between members of an affiliated group.

(b) * * * Where the services and assets received by the regulated activity of the air carrier are not marketed by the affiliated supplier to the general public under a prevailing price list, the charges

recorded by the air carrier activity for such services and assets shall be the lower of their cost to the originating activity of the affiliated group, less all applicable valuation allowances, or their estimated fair market value. In the case of charges against income for services received, as distinguished from charges for property and equipment or other assets acquired, any difference in the amount recorded and the consideration given by the air carrier shall be entered in subaccount 88.1 Intercompany Transaction Adjustment—Credit or in subaccount 89.1 Intercompany Transaction Adjustment—Debit. In the case of property and other assets acquired, any difference between the amount recorded and the consideration given by the air carrier shall be entered in appropriate subaccounts of account 1870 Property Acquisition Adjustment, paralleling subaccount 88.1 Intercompany Transaction Adjustment—Credit and subaccount 89.1 Intercompany Transaction Adjustment—Debit, and shall be cleared to such income accounts through periodic amortization at rates coinciding with those applied to other associated assets.

(c) The cost, less all associated valuation allowance accumulations, of services and assets sold by or transferred from the regulated activity of an air carrier to other activities of an affiliated group shall be charged by the air carrier to either applicable incidental services or capital gain income accounts, as appropriate. Where such services and assets are reflected in tariffs filed with the Board or in price lists held out to the general public, the associated revenues shall be recorded at the rates, fares or charges contained therein in the appropriate incidental services, capital gains or air transport income accounts. Where no tariff or prevailing price list is applicable, the associated revenue shall be recorded at the higher of cost or estimated fair market value of the asset or service involved. Any difference between the revenue so recorded and the agreed consideration to the air carrier shall be recorded in subaccount 88.1 Intercompany Transaction Adjustment—Credit or subaccount 89.1 Intercompany Transaction Adjustment—Debit.

(d) * * * Any difference between the income tax so recorded and the amount at which settlement is to be made shall be recorded in subaccount 88.1 Intercompany Transaction Adjustment—Credit or in subaccount 89.1 Intercompany Transaction Adjustment—Debit, as is appropriate.

16. Amend Section 3—Chart to Balance Sheet Accounts to read as follows:

RULES AND REGULATIONS

BALANCE SHEET CLASSIFICATIONS

Section 3—Chart of Balance Sheet Accounts

Name of account	General classification	
Current assets:		
Cash	1010	
Short-term investments	1100	
Notes receivable	1200	
Accounts receivable	1270	
Allowance for uncollectible accounts	1280	
Spare parts and supplies	1300	
Allowance for obsolescence—Spare parts and supplies	1311	
Prepaid items	1410	
Other current assets	1420	
Investments and special funds:		
Investments in associated companies	1510	
Investments in investor controlled companies	1510.1	
Investments in other associated companies	1510.2	
Advances to associated companies	1520	
Other investments and receivables	1530	
Special funds	1550	
Property and equipment	1600-1700	
	Operating	Nonoperating
Airframes	1601	1701
Airframes	1601.1	1701.1
Unamortized airframe overhauls	1601.2	1701.2
Aircraft engines	1602	1702
Aircraft engines	1602.1	1702.1
Unamortized aircraft engine overhauls	1602.2	1702.2
Improvements to leased flight equipment	1607	1707
Flight equipment rotatable parts and assemblies	1608	1708
Airframe parts and assemblies	1608.1	1708.1
Aircraft engine parts and assemblies	1608.5	1708.5
Other parts and assemblies	1608.9	1708.9
Flight equipment	1609	1709
Allowance for depreciation:		
Airframes	1611	1711
Aircraft engines	1612	1712
Improvements to leased flight equipment	1617	1717
Flight equipment rotatable parts and assemblies	1618	1718
Flight equipment airworthiness allowance	1629	1729
Equipment	1630	1730
Furniture, fixtures and office equipment	1635	1735
Improvements to leased buildings and equipment	1639	1739
	General classification	
Buildings	1640	1740
Maintenance buildings and improvements	1640.1	1740.1
Other buildings and improvements	1640.9	1740.9
Ground property and equipment	1649	1749
Allowance for depreciation:		
Equipment	1650	1750
Improvements to leased buildings and equipment	1654	1754
Furniture, fixtures and office equipment	1656	1756
Buildings	1660	1760
Maintenance buildings and improvements	1660.1	1760.1
Other buildings and improvements	1660.9	1760.9
Allowance for depreciation of flight equipment and ground property and equipment, and amortization of overhaul and airworthiness costs	1668	1768
Land	1679	1779
Equipment purchase deposits and advance payments	1685	1785
Construction work in progress	1689	1789
	General classification	
Other assets:		
Long-term prepayments	1820	
Unamortized developmental and preoperating costs	1830	
Unamortized debt expense	1840	
Property acquisition adjustment	1870	
Intangible assets	1880	
Other assets	1890	
Current liabilities:		
Current maturities of long-term debt	2000	
Notes payable:		
Banks	2005	
Other	2015	
Trade accounts payable	2021	
Accounts payable—other	2025	
Accrued salaries, wages	2110	
Accrued vacation liability	2120	
Accrued interest	2125	
Accrued taxes	2130	
Dividends declared	2140	
Air traffic liability	2160	
Other current liabilities	2190	

Name of account	General classification
Noncurrent liabilities:	
Long-term debt.....	2210
Advances from associated companies.....	2240
Pension liability.....	2250
Stock purchase plan liability.....	2260
Other noncurrent liabilities.....	2290
Deferred credits:	
Deferred income taxes.....	2340
Deferred investment tax credits.....	2345
Other deferred credits.....	2380
Commitments and contingent liabilities:	
Stockholders' equity:	
Preferred stock.....	2820
Common stock.....	2840
Subscribed and unissued stock.....	2860
Additional capital invested.....	2890
Premium on capital stock.....	2890, 1
Discount on capital stock.....	2890, 2
Other capital stock transactions.....	2890, 3
Retained earnings.....	2900
Net unrealized loss on noncurrent marketable equity securities.....	2950
Treasury stock.....	2990

¹ Prescribed for group II and group III air carriers only.

² At the option of the air carrier, these accounts may be assigned Nos. 3029 and 2729, respectively, for accounting purposes.

NOTE.—Digits to right of decimals and italicized codes established for CAB control purposes only.

17. Amend Section 5—Balance Sheet Account Groupings as follows:

A. By revising paragraph (a) of section 5-2 Investments and Special funds to read:

Sec. 5-2 Investments and special funds.

(a) Include in this classification long-term investments in securities, securities which are not readily marketable, funds set aside for specific purposes or involving restrictions preventing current use, contract performance deposits and other securities, receivables, or funds not available for current operations.

B. By revising paragraph (e) of section 5-3 to read:

Sec. 5-3 Property and equipment.

(e) Operating and nonoperating property and equipment * * *

(2) The cost of additions, betterments, improvements and modifications shall be charged to the balance sheet account in which the property or equipment to which related is carried. (See section 2-9 for applicable accounting policy.) The cost of parts and appurtenances removed, and the allowance for depreciation applicable thereto, shall be treated as for retired property and accounted for accordingly.

(4) If property and equipment is acquired as part of a business from another air carrier through consolidation, merger, or reorganization, pursuant to a plan approved by the Civil Aeronautics Board, the costs and related allowances for depreciation as carried on the books of the predecessor company at the date of transfer shall be entered by the acquiring air carrier in the appropriate accounts prescribed for recording investments in tangible assets. Any difference between the purchase price of the property and equipment acquired and its depreciated cost at date of acquisition shall be recorded in balance sheet account 1870 Property Acquisition Adjustment. Property acquired from an associated com-

pany shall also be accounted for in accordance with this paragraph unless otherwise approved by the Board.

(5) Upon disposal by sale, retirement, abandonment, dismantling, or otherwise, of equipment depreciated on a unit basis, the air carrier shall credit the accounts in which the costs related to the property or equipment are carried with the balances thereof; charge the related allowances for depreciation with the balances applicable to the property disposed of; and charge the cash proceeds of the sale or the value of salvaged material to the appropriate asset accounts. Where the sales price or salvage value less the cost of dismantling differs from the costs related to the property less accrued allowances for depreciation, such difference shall be recorded in the appropriate capital gain or loss accounts.

(6) Upon disposal by sale, retirement, abandonment, dismantling, or otherwise of property or equipment depreciated on a group basis, the air carrier shall credit the account in which the property or equipment is carried, and charge the related allowance for depreciation with the original cost thereof, less any salvage realized, regardless of the age of the item. No gain or loss is recognized on the retirement of individual items of property or equipment depreciated on a group basis. However, the proceeds from sales of scrapped parts and assemblies, which are accumulated and sold in lots for nominal amounts and without identification of the individual items, shall be credited to profit and loss account 18 Other Transport-Related Revenues and Expenses.

(7) If property is retired or disposed of as a result of major accident or other casualty, the costs related to such property, less accrued allowances for depreciation, shall be charged to balance sheet account 1890 Other Assets pending adjustments and settlement of insurance. The resulting profit or loss, after reflecting adjustments for insurance coverage shall be recorded as a capital gain or loss. If the air carrier has no option but to accept replacement by an equivalent unit, the book cost and accrued allowance for depreciation applicable to the unit dis-

posed of shall be assigned to the new property or equipment. Where the air carrier has the option in settlement to select between replacement in kind and cash or its equivalent, the air carrier shall account for the property or equipment disposed of in accordance with subparagraph (5) or (6) of this section 5-3(e). Any property or equipment purchased in replacement shall be recorded pursuant to subparagraph (1) of this section 5-3(e).

(8) When property and equipment owned by the air carrier is applied as part payment of the purchase price of new property and equipment, the new property and equipment shall be recorded at its full purchase price provided an excessive allowance is not made for assets traded in, in lieu of price adjustments or discounts on the purchase price of assets acquired. The difference between the depreciated cost of assets applied as payment and the amount allowed therefor shall be treated as retirement gain or loss. When used tangible property is exchanged for other used tangible property and no other form of consideration is involved, the book cost less related allowance for depreciation of the property given in exchange shall be assigned to the property received. When the consideration consists of both cash or its equivalent and tangible property, and the cash or its equivalent is less than 25 percent of the fair market value of the total consideration, the entire transaction is to be treated as an exchange of property. The cost of the properties received by each party shall be the book cost less related allowance for depreciation of the properties given in exchange, plus or minus the cash, or the cash value of any other consideration, paid or received. Capital gain or loss is not to be recorded on the books of either party, except to the extent that the additional cash or other consideration received exceeds the depreciated book cost of the properties given. When the additional cash, or the cash value of other consideration, is at least 25 percent of the fair market value, the transaction shall be treated as a purchase and sale. The property received by each party shall be entered on the books at its fair market value and the net increase or decrease in asset values resulting from the transaction shall be treated as capital gain or loss.

(9) The cost of property and equipment acquired shall, upon acquisition, be recorded in the appropriate classification specifically established for such property and equipment; *Provided*, That when operating property and equipment acquired requires conditioning or modification before placing in air transport or its transport-related services, the cost thereof and related conditioning and modification costs shall be accumulated in balance sheet account 1689 Construction Work in Progress. The total accumulated cost shall be transferred to the appropriate operating property and equipment account coincidentally with the placing of the property and equipment into regular air transport or transport-related services.

(10) When operating property or equipment is retired from air transportation or transport-related operations and retained by the air carrier, its cost, together with applicable allowances for depreciation, shall be transferred to balance sheet classification 1700 Nonoperating Property and Equipment. If property is transferred for exclusive use of nontransport divisions, the cost less related allowances for depreciation shall be recorded in balance sheet account 1520 Advances to Associated Companies.

C. By revising section 5-4 to read in pertinent part:

Sec. 5-4 Property and equipment depreciation and overhaul.

(a) The balance sheet classification "allowance for depreciation" shall include the accumulation of all provisions for losses occurring in property and equipment from use and obsolescence. For example, it shall include allowances for depreciation established to record current lessening in service value due to wear and tear from use and the action of time and the elements, as well as losses in capacity for use or service occasioned by obsolescence, supersession, discoveries, change in popular demand, or the requirement of public authority. Residual values and rates for accrual of depreciation shall be calculated to prevent charging excessive or inadequate expense or the accumulation of inadequate or excessive allowances.

(d) Rates of depreciation and undepreciable residual values applied to each class of depreciable property and equipment shall be calculated to distribute the estimated depreciable cost to operating expense accounts and other accounts over the estimated service life of the property and equipment in such manner as will prevent the charging of either excessive or inadequate expense or the accumulation of excessive or inadequate allowances (see section 2-14(a)) and fully recognize the extent to which all expenditures attaching to property and equipment are otherwise recoverable through income charges and disposal proceeds.

(f) Airframe and aircraft engine overhauls shall be expensed directly as performed when this will produce a relatively equitable allocation of total maintenance costs between accounting years. In the event that direct expensing of overhauls will distort maintenance expense charges between calendar quarters, allowances may be established to equalize or distribute maintenance expense charges between calendar quarters of each accounting year in accordance with operations performed consistent with provisions of section 2-13(d). For the purposes of this system of accounts and reports, an airframe or aircraft engine "overhaul" shall be deemed to encompass the total of those inspections or replacements of major components performed

in phrases, or in one operation, as are required to be performed at specified maximum periodic intervals by the Civil Air Regulations to recertify that airframes or aircraft engines are in a completely airworthy condition. Costs which attach to the routine replacement of minor drawal from line service, to maintain airframes and aircraft engines, performed on a recurrent but not scheduled basis, or on a scheduled basis without withdrawal from line service, to maintain airframes and aircraft engines in an operating condition, shall not be considered to be "overhauls" and shall be expensed directly as ordinary recurrent maintenance. Extraordinary costs of material amounts associated with the renewal of major structural parts of airframes and aircraft engines beyond the scope of normal period overhauls, or which are incurred at periodic intervals approximating the depreciable service life of the airframe and aircraft engine types to which related, shall not be considered overhauls. Such costs shall be accounted for as restoration of assets chargeable to the related property accounts. The cost of components removed, together with related allowance, shall be treated as retired property and accounted for accordingly. In the event identification of the cost of the components removed is not feasible, the costs incurred in substituting components may be charged against the related allowance for depreciation.

(g) The accounting procedures . . .

(1) When the period benefited by the performance of an overhaul is greater than one accounting year and overhauls are scheduled in such a manner that the direct expensing of overhauls as performed will not result in an equitable allocation of total maintenance expense between accounting years, the costs of such overhauls shall be deferred and amortized over the period benefited. An overhaul permits the use of an airframe or aircraft engine for subsequent additional periods in conformity with overhaul procedures approved by the Federal Aviation Administration. The period benefited by an overhaul is the authorized interval until the related overhaul procedures are required to be performed again. The costs of airframe and aircraft engine overhauls shall not be accrued in advance by charges to maintenance expense before the costs are incurred; except that, allowances for equalization may be established pursuant to section 2-13(d) to distribute expense charges between calendar quarters of each accounting year in accordance with operations performed.

(5) Upon retirement of owned airframes or aircraft engines, the applicable unamortized overhaul costs shall be transferred, along with the cost and related allowances for depreciation of the property retired, to profit and loss sub-account 88.5 Capital Gains and Losses—Operating Property or 88.6 Capital Gains and Losses—Other.

D. By revising the title and paragraph (a) of section 5-5 to read:

Sec. 5-5 Other assets.

(a) Include in this classification all debit balances in general clearing accounts, including charges held in suspense pending receipt of information necessary for final disposition, prepayments chargeable against operations over a period of years, capitalized expenditures of an organizational or developmental character, unamortized debt expense, property acquisition adjustments, the cost of patents, copyrights and miscellaneous intangibles, and other noncurrent assets which cannot be recorded elsewhere within the chart of accounts.

E. By revising paragraphs (a) and (b) of section 5-7 to read:

Sec. 5-7 Noncurrent liabilities.

(a) This classification shall include all debts or obligations the liquidation or payment of which is not reasonably expected to require the use within one year of existing resources of a type which are properly classifiable as current assets or the creation of current liabilities. Noncurrent liabilities shall include mortgages, bonds and debentures maturing more than one year from the date of the balance sheet, and other obligations not payable within twelve months. Expense on long-term debt assumed by the air carrier shall be recorded as a deferred charge and discounts or premiums on nontrade debt should be recorded as a deduction from or addition to the face amount of the liability through the use of a subaccount in the account used to record the liability. Subaccounts shall be maintained in such a manner as to enable identification of each discount or premium with the debt issue to which it relates. Such discounts or premiums shall be amortized through profit and loss account 84 Amortization of Debt Discount Premium and Expense on a basis which applies a constant rate of interest to the balance outstanding at the beginning of each quarter. When debt securities are issued with warrants to purchase stock, the portion of the proceeds attributable to the warrants shall be accounted for as paid-in capital by crediting account 2890 Additional Capital Invested.

(b) In cases where debt coming due within 12 months is to be refunded, or where payment is to be made from assets of a type not properly classifiable as current, the amount payable shall not be removed from this classification. In addition, this classification shall include short-term debt obligations when both the intent to refinance the short-term obligations on a long-term basis is established and the ability to consummate this refinancing can be demonstrated.

F. By revising the title and text of section 5-8 to read:

Sec. 5-8 Deferred credits and commitments and contingent liabilities.

(a) Include in the deferred credit classification all credit balances in general clearing accounts, including credits held in suspense pending receipt of information necessary for final disposition.

(b) Deferred credits having a definite time incidence shall be amortized over the periods to which they apply.

(c) Include in the commitments and contingent liabilities classification all anticipated losses from commitments or contingencies that are not accruable under the conditions presented in section 2-5 Liability accruals but for which there is a reasonable possibility that a loss has been incurred. The nature and extent of these commitments and contingencies shall be disclosed in a footnote.

G. By revising section 5-9 to read:

Sec. 5-9 Stockholder equity.

(a) This general classification shall include all items which record the aggregate interests of holders of the air carrier's stock in assets owned by the air carrier.

(b) The general classification "Stockholders' Equity," shall be subdivided between that portion representing direct contributions of the stockholders, or "Total Paid-In Capital," that portion representing income retained from the operation of the air carrier, or "Retained Earnings," that portion representing the valuation allowance net unrealized loss applicable to the noncurrent portion of marketable equity securities, or "Net Unrealized Loss on Noncurrent Marketable Equity Securities," and that portion, "Treasury Stock," representing the cost to the air carrier of capital stock issued by the air carrier which has been reacquired and is held for disposition.

(c) The "Total Paid-In Capital" classification shall be subdivided between "Total Capital Stock," which shall include the par or stated value of capital stock issued or the cash value of the consideration actually received in case of stock having no par or stated value, and "Additional Capital Invested," which shall include the excess (premium) or deficiency (discount) of the cash value of the consideration received from the issue of any capital stock having par or stated value, donations by stockholders, adjustments of capital resulting from reorganization or recapitalization, and gains or losses from reacquisition and resale or retirement of the air carrier's capital stock.

(d) The records supporting the entries in the accounts included in the "Additional Capital Invested" balance sheet classification shall be maintained with sufficient particularity to identify amounts applicable to each series and class of stock affected.

(e) Discount applicable to a particular class or series of capital stock shall not be offset against premiums applicable to another class or series of capital stock. At the option of the air carrier discount

applicable to a particular class or series of stock may be offset against premiums related to that class or series of stock.

(f) Losses arising from the reacquisition and resale or retirement of the air carrier's capital stock may be allocated between "additional capital invested" for the same issue of capital stock and "retained earnings." Gains on treasury stock shall be credited to "Additional Capital Invested."

(g) The "Retained Earnings" balance sheet classification shall reflect the balance of net profits, income, and gains of the air carrier from the date of incorporation after deducting losses, and distributions to stockholders. In cases where a deficit has been absorbed by a reduction of "Additional Capital Invested" as a result of a restatement of capital stock or retained earnings, a new retained earnings account shall be established, dated to show that it runs from the effective date of the restatement and this dating shall be disclosed in financial statements until such time as the effective date no longer possesses special significance.

18. Amend Section 6—Objective Classification of Balance Sheet Elements to read as follows:

Section 6 Objective Classification of Balance Sheet Elements

CURRENT ASSETS

1010 Cash.

(a) Record here all general and working funds available on demand as of the date of the balance sheet which are not formally restricted or earmarked for specific objectives. Funds deposited for special purposes which are to be satisfied within one year shall be included in account 1100 Short-term Investments and funds restricted as to general availability, which are not offset by current liabilities, shall be included in account 1550 Special Funds.

(b) Each air carrier shall subdivide this account in such manner that the balance can be readily segregated as between balances in United States currency and the balances in each foreign currency.

1100 Short-Term Investments.

(a) Record here the cost of short-term investments such as special deposits and United States Government securities, any other temporary cash investments, and the allowance for unrealized gain or loss on current marketable equity securities.

(b) Special deposits for more than one year, not offset by current liabilities, shall not be included in this account but in account 1550 Special Funds.

(c) This account should be charged or credited for discount or premium on United States Government securities or other securities which should be amortized to profit and loss account 80 Interest Income.

1200 Notes Receivable.

(a) Record here current notes receivable including those from associated

companies, company personnel, and all other sources.

(b) Balances of notes payable to associated companies shall not be offset against amounts carried in this account. Balances with associated companies which are not normally settled currently shall not be included in this account but in balance sheet account 1520 Advances to Associated Companies.

1270 Accounts Receivable.

(a) Record here current accounts receivable including those due from the United States Government, foreign governments, associated companies, company personnel, and other amounts due for the performance of air transportation.

(b) Amounts due from the United States Government shall be maintained in such fashion as will clearly and separately identify service mail pay receivables, subsidy receivables and other than mail transportation receivables.

(c) Amounts due for the performance of air transportation shall include gross amounts due whether settled through airline clearing houses or with individual carriers. Amounts payable collected as agent shall not be credited to this account, but should be included in account 2190 Other Current Liabilities.

(d) Balances payable to associated companies shall not be offset against amounts carried in this account. Balances with associated companies which are not normally settled currently shall not be included in this account but in balance sheet account 1520 Advances to Associated Companies.

1290 Allowance for Uncollectible Accounts.

(a) Record here accruals for estimated losses from uncollectible accounts.

(b) All accounts against which allowances have been established shall be examined quarterly for the purpose of re-determining the basis of accruals to be applied to subsequent accounting periods and the reasonableness of allowances already provided.

1300 Spare and Supplies.

(a) Record here the cost of:

(1) Flight equipment replacement parts of a type which ordinarily would be recurrently expended and replaced rather than repaired and reused;

(2) Unissued fuel inventories for use in the overall or system operations of the carrier. Adjustments of inventories for aircraft fuel due to retroactive price increases and decreases shall not be entered in this account but in profit and loss account 45, Aircraft Fuels and Oils; and

(3) Unissued and unapplied materials and supplies held in stock such as unissued shop materials, expendable tools, stationery and office supplies, passenger service supplies, and restaurant and food service supplies.

(b) Costs paid by the air carrier such as transportation charges and customs duties; excise, sales, use and other taxes;

special insurance; and other charges applicable to the cost of spare parts and supplies shall be charged to this account when they can be definitely allocated to specific items or units of property. If such costs cannot be so allocated, or if of minor significance in relation to the cost of such property, the amounts thereof may be charged to balance sheet account 1890 Other Assets and cleared either by a suitable "loading charge" as the parts are used or by current charges to appropriate expense or property accounts: *Provided*, That the method of application does not cause material distortion in operating expenses from one accounting period to another.

(c) Reusable spare parts and supplies recovered in connection with construction, maintenance, or retirement of property and equipment shall be included in this account at fair and reasonable values but in no case shall such values exceed original cost. Recoveries of normally repairable and reusable parts of a type for which losses in value may be covered on a practical basis through valuation allowance provisions shall be included in this account on an original cost basis. Scrap and nonusable parts, expensed from this account and recovered, shall be included at net amounts realizable therefrom with contra credit to the expense accounts initially charged.

(d) The cost of rotatable parts and assemblies of material value included in this account which ordinarily are repaired and reused and possess a service life approximating that of the primary property types to which related shall not be recorded in this account but in balance sheet account 1608 Flight Equipment Rotable Parts and Assemblies. For purposes of identifying rotatable parts and assemblies of insignificant unit value which may be included in this account, a reasonable maximum unit value limitation may be established.

(e) Any losses sustained or gains realized upon the abandonment or other disposition of flight equipment expendable parts shall be taken up as capital gains or losses in the periods in which sustained or realized. (See balance sheet account 1311).

(f) Items in this account shall be charged to appropriate expense accounts as issued for use. Profit and loss on sales of inventory items as a routine service to others shall be included in profit and loss accounts 14 General Service Sales—Associated Companies, or 16 General Service Sales—Outside, and the parts sold shall be removed from this account at full cost.

(g) Materials and supplies held in small supply and purchased currently may be charged to appropriate expense accounts when purchased.

(h) An allowance for inventory adjustment applicable to materials and supplies is prohibited. Items in this account shall be charged to appropriate expense accounts as issued for use.

(i) Subaccounts shall be established within this account for the separate re-

cording of each class or type of spare parts and supplies.

1311 Allowance for Obsolescence—Spare Parts and Supplies.

(a) Accruals shall be made to this account when allowances are established for losses in the value of expendable parts. The accruals to this account shall be made by charges to profit and loss account 73 Provisions for Obsolescence and Deterioration—Expendable Parts. Records shall be maintained with sufficient detail to permit association of the allowances with each class or type of expendable parts.

(b) The accruals to this account shall be based upon a predetermination by the air carrier of that portion of the total inventory of each class and type of expendable parts against which an allowance for loss is to be accrued. Expendable parts issued for use in operations shall be charged to operating expenses as issued and shall not be charged to this account. If at the end of any calendar year the amount of the allowance exceeds the product of the applicable inventory for the year determined consistently on a year-end or average basis, and the sum of the standard percentage accrual rates for all prior years including the current, the allowance shall be adjusted downward by the amount of the excess. Such adjustments shall be charged to this account and credited to profit and loss account 73 Provisions for Obsolescence and Deterioration—Expendable Parts.

(c) Where changing conditions necessitate a revision or adjustment in rates of accrual, such revision or adjustment shall be made applicable to current and subsequent accounting periods and shall not be applied retroactively to prior accounting periods. Following retirement of airframe or aircraft engine types to which related, any balance remaining in this account shall be offset against related balances carried in balance sheet account 1300 Spare Parts and Supplies and the net cleared to profit and loss accounts 88.5 Capital Gains and Losses—Operating Property or 88.6 Capital Gains and Losses—Other.

(d) In accordance with the provisions of section 22(d) or 32(d), as applicable, each air carrier shall file with the Civil Aeronautics Board a statement fully describing its plans of accounting for allowances for obsolescence and deterioration of expendable parts. The required statement shall indicate for each class or type of parts the predetermined level of the inventory against which an allowance is being accrued and shall fully explain the bases of the estimated losses and the rate of allowance accrual.

1410 Prepaid Items.

Record here prepayments of obligations which if not paid in advance would require the expenditure of working capital within one year, such as prepaid rent, insurance, taxes, interest, etc. Unexpired insurance and miscellaneous prepay-

ments applicable to periods extending beyond one year where significant in amount shall be charged to balance sheet account 1820 Long-Term Prepayments.

1420 Other Current Assets.

Record here current assets not provided for in balance sheet accounts 1010 to 1410, inclusive.

INVESTMENTS AND SPECIAL FUNDS

1510 Investments in Associated Companies.

(a) Record here net investments in associated companies.

(b) In accordance with the provisions of section 22(d) or 32(d), as applicable, a statement shall be filed with the Civil Aeronautics Board which fully explains the procedures for accounting for investments in investor controlled and other associated companies, including change in status from associated to investor controlled company, or vice versa.

(c) This account shall be subdivided by all air carrier groups as follows:

1510.1 Investments in Investor Controlled Companies.

Record here the cost of investments in investor controlled companies, except as provided in section 5-2(c), plus the equity in undistributed earnings or losses since acquisition. In the event dividends are declared by such companies, the air carrier shall credit this account for its share in dividends declared and debit balance sheet account 1270 Accounts Receivable. This account shall separately state: (a) The cost of such investments at date of acquisition and (b) the equity in undistributed earnings or losses since acquisition.

1510.2 Investments in Other Associated Companies.

Record here the cost of investments in associated companies other than investor controlled companies. Cost shall represent the amount paid at the date of acquisition without regard to subsequent changes in the net assets through earnings or losses of such associated companies, except as provided in section 5-2(c).

1520 Advances to Associated Companies.

(a) Record here advances, loans, and other amounts not settled currently with investor controlled and other associated companies and nontransport divisions. Balances receivable from and payable to different associated companies and different nontransport divisions shall not be offset.

(b) In the case of nontransport divisions three subaccounts shall be maintained: (1) Net investment; (2) current net profit or loss; and (3) current accounts receivable or payable between the air carrier and the nontransport division.

(c) Each nontransport division shall be accounted for separately in net amounts receivable which shall be included in this account or net amounts

payable which shall be included in balance sheet account 2240 Advances from Associated Companies.

1530 Other Investments and Receivables.

Record here notes and accounts receivable not due within one year, investments in securities issued by others, and the allowance for unrealized gain or loss on noncurrent marketable equity securities. Securities held as temporary cash investments shall not be included in this account but in balance sheet account 1100 Short-Term Investments. Investments in and receivables from associated companies which are not settled currently shall be included in balance sheet account 1510 Investments in Associated Companies and 1520 Advances to Associated Companies, respectively.

1550 Special Funds.

Record here special funds not of a current nature and restricted as to general availability. Include items such as sinking funds, cash and securities posted with courts of law, employee's funds for purchase of capital stock, pension funds under the control of the air carrier and equipment purchase funds.

OPERATING PROPERTY AND EQUIPMENT

1601 Airframes.

(a) Record here the total cost to the air carrier of airframes of all types and classes, as provided in section 5-3, together with the full complement of instruments, appurtenances and fixtures comprising complete airframes including accessories necessary to the installation of engines and flight control and transmission systems, except as specifically provided otherwise in accounts 1602 and 1607. Also record here in separate subaccounts and costs of airframe overhauls accounted for on a deferral and amortization basis as provided in section 5-4(g).

(b) Airframes designed to permit multiple payload configurations shall be recorded in this account at the total cost of the maximum complement of instruments, appurtenances, and fixtures used in the air carrier's operations.

(c) This account shall be subdivided as follows by all air carriers:

1601.1 Airframes.

1601.2 Unamortized Airframe Overhauls.

1602 Aircraft Engines.

(a) Record here the total cost to the air carrier of complete units of aircraft engines of all types and classes, as provided in section 5-3, together with a full complement of accessories, appurtenances, parts, and fixtures comprising fully assembled engines as delivered by the engine manufacturer ready for operation in test but without the accessories necessary to its installation in airframes. Also record here in separate subaccounts the costs of aircraft engine overhauls accounted for on a deferral and amortization basis as provided in section 5-4(g).

(b) This account shall be subdivided as follows by all air carriers:

1602.1 Aircraft Engines.

1602.2 Unamortized Aircraft Engine Overhauls.

1607 Improvements to Leased Flight Equipment.

Record here the total cost to the air carrier incurred in connection with modification, conversion or other improvements to leased flight equipment as provided in section 5-3. Also record here in separate subaccounts the costs of airframe and aircraft engine overhauls of leased aircraft accounted for on a deferral and amortization basis as provided in section 5-4(g).

1603 Flight Equipment Rotable Parts and Assemblies.

(a) Record here the total cost to the air carrier of all spare instruments, parts, appurtenances and subassemblies related to the primary components of flight equipment units provided for in balance sheet accounts 1601 through 1607, inclusive, as provided in section 5-3. This account shall include all parts and assemblies of material value which are rotatable in nature, are generally reserviced or repaired, are used repeatedly and possess a service life approximating that of the property type to which they relate. Items of an expendable nature which generally may not be repaired and reused, shall not be recorded in this account but in account 1300 Spare Parts and Supplies. Except for recurrent service sales, flight equipment parts recorded in this account shall be accounted for in accordance with the instructions related to property and equipment generally and shall not be charged to operating expense as retired. Profit or loss on sales of parts as a routine service to others shall be included in profit and loss account 14 General Service Sales—Associated Companies, or 16 General Service Sales—Outside, and parts sold shall be removed from this account at full cost irrespective of any allowance for depreciation which has been provided.

(b) This account shall be subdivided as follows by Group II and Group III air carriers:

1608.1 Airframe Parts and Assemblies.

1608.5 Aircraft Engine Parts and Assemblies.

1608.9 Other Parts and Assemblies.

1609 Flight Equipment

This classification is established only for purposes of control by the Civil Aeronautics Board and shall reflect the total cost of property and equipment of all types and classes used in the in-flight operations of aircraft.

1629 Flight Equipment Airworthiness Allowances.

(a) Record here accumulated provisions for overhauls of flight equipment as provided in section 5-4 (f) and (g).

(b) Separate subaccounts shall be established for recording accumulated

provisions related to each type of airframe and aircraft engine, respectively.

NOTE.—At the option of the air carrier the number "2629" may be assigned to this account for accounting purposes. However, for purposes of reporting on CAB Form 41, the balance in this account shall be reported under account "1629."

1630 Equipment.

Record here the total cost to the air carrier of ground equipment to include the following:

(a) Equipment assigned to aircraft or active line operations as opposed to items held in stock for servicing passengers, as provided in section 5-3, such as broilers, bottleware, dishes, food boxes, thermos jugs, blankets, first aid kits, etc. Spare items shall be carried in balance sheet account 1300 Spare Parts and Supplies and shall be charged directly to expense upon withdrawal from stock for replacing original complements.

(b) Equipment used in restaurants and kitchens, as provided in section 5-3.

(c) Equipment of all types and classes, as provided in section 5-3, used in enplaning and handling traffic and in handling aircraft while on ramps, including motorized vehicles used in ramp service. Classes of equipment used interchangeably between handling aircraft on ramps and in maintaining aircraft may be classified in accordance with normal predominant use.

(d) Nonairborne equipment of all types and classes, as provided in section 5-3, used in meteorological and communication services which is not a part of buildings.

(e) Equipment of all types and classes, as provided in section 5-3, including motorized vehicles used in engineering and drafting services and in maintaining, overhauling, repairing and testing other classes of property and equipment.

(f) Property and equipment of all types and classes, as provided in section 5-3, used in ground and marine transportation services.

(g) Property and equipment of all types and classes, as provided in section 5-3, used in storing and distributing fuel, oil and water, such as fueling trucks, tanks, pipelines, etc.

(h) All other ground equipment of all types and classes, as provided in section 5-3, such as medical, photographic, and employee's training equipment, and airport and airway lighting equipment.

1636 Furniture, Fixtures and Office Equipment.

Record here the total cost to the air carrier of furniture, fixtures and office equipment of all types and classes, wherever used or located, as provided in section 5-3.

1639 Improvements to Leased Buildings and Equipment.

Record here the total cost to the air carrier incurred in connection with modification, conversion, or other im-

provements to leased buildings and equipment.

1640 Buildings.

Record here the total cost to the air carrier of owned buildings, structures and equipment and related improvements, as provided in section 5-3. Each air carrier shall maintain the following subaccounts in which the values fairly assignable to maintenance and other operations shall be separately recorded:

1640.1 Maintenance Buildings and Improvements.

1640.9 Other Buildings and Improvements.

1649 Ground Property and Equipment.

This classification is established only for purposes of control by the Civil Aeronautics Board and shall reflect the total cost of property and equipment of all types and classes other than flight equipment, equipment purchase deposits and advance payments, land, and work in progress.

1668 Allowance for Depreciation of Flight Equipment and Ground Property and Equipment and Amortization of Overhaul and Airworthiness Costs.

(a) Record in accounts 1611 and 1618, inclusive, and 1650 through 1660, inclusive, accruals for depreciation of flight equipment and ground property and equipment.

(b) As set forth in section 3, Chart of Balance Sheet Accounts, separate accounts shall be established for depreciation allowances to parallel balance sheet accounts 1601 through 1608 established for recording the cost of flight equipment and accounts 1630 through 1640 established for recording the cost of ground property and equipment.

(c) This account shall be used as a control account and shall reflect the total amounts recorded in balance sheet accounts 1611 through 1618 and 1650 through 1660 in addition to account 1629 Flight Equipment Airworthiness Allowance.

1679 Land.

Record here the initial cost and the cost of improving land, as provided in section 5-3.

1685 Equipment Purchase Deposits and Advance Payments.

Record here the amount of purchase deposits and advance payments made to acquire operating property and equipment under outstanding purchase commitments. Funds set aside but not deposited or used as advance payments should not be included in this account but in Account 1550 Special Funds.

1689 Construction Work in Progress.

(a) Record here the direct and indirect costs to the air carrier accumulated to the date of the balance sheet in connection with constructing and readying for installation in operations, for property and equipment of all types and classes as provided in section 5-3. Where prop-

erty includable in the property and equipment classification, record here also the accumulated costs for uncompleted overhauls of airframes, aircraft engines, or other material units of property.

(b) At the option of the air carrier this account may be used as a clearing account for recording the cost of property and equipment acquisitions prior to a distribution thereof to the appropriate property accounts, whether or not conditioning or modification is necessary before placing in service.

NONOPERATING PROPERTY AND EQUIPMENT

1700 Nonoperating Property and Equipment.

The total cost to the air carrier of nonoperating property and equipment and related allowances for depreciation shall be recorded in balance sheet accounts 1701 through 1789 which, as set forth in section 3, Chart of Balance Sheet Accounts, parallel those established above, balance sheet accounts 1601 through 1689, for recording the cost of operating property and equipment.

OTHER ASSETS

1820 Long-Term Prepayments.

Record here prepayments of obligations applicable to periods extending beyond one year such as payments on leased property and equipment and other payments and advances for rents, rights, or other privileges.

1830 Unamortized Developmental and Preoperating Costs.

(a) Record here costs accumulated and deferred by the air carrier pertaining to the development of new routes or extension of existing routes, preparation for operation of new routes subsequent to certification by the Civil Aeronautics Board, the integration of new types of aircraft or services, and other preparations for substantial alterations in operational characteristics.

(b) Costs chargeable to this account shall include items directly related to each specific developmental or preoperating project, such as travel and incidental expenses, legal expenses, flight crew training expenses, and regulatory proceedings expenses. Expenses which would be otherwise incurred in the normal air transport operations conducted by the air carrier during the current accounting period shall not be allocated to developmental or preoperating projects and charged to this account. Nor shall this account be credited for revenues from aircraft flights of a developmental or preoperating character the operating costs of which are charged to this account. Any such revenues shall be included in the profit and loss account for the respective type of revenue. This account shall include charges for only those costs associated with projects directed at obtaining new operating authority or expanding the physical capacity of the air carrier and shall not include costs incurred for the purpose of generating revenues through rate ad-

justment. Accordingly, costs associated with regulatory proceedings involving route awards or amendments, whether successful or unsuccessful to the carrier, shall be included in this account whereas costs associated with regulatory proceedings involving rate or other revenue generation matters shall be charged to appropriate expense accounts.

(c) Records shall be established for new routes or extensions of existing routes to record separately: (1) Costs incurred in acquiring or applying for the routes, including all costs incurred prior to certification by the Board and inauguration of service by the air carrier, and (2) costs incurred after revenue operations begin over the new routes or extensions.

(d) Subclassifications shall be established to record for each developmental project the period covered and the purpose of each item of expense. Each air carrier shall classify the costs of all projects included in this account between: (1) Those related and contributing to the normal air transportation services currently conducted by the air carrier; (2) those related to services conducted by the air carrier which are extraneous to or are not otherwise related to the air transportation services currently conducted; and (3) those held in suspense pending status determination in terms of possible contribution to the air transportation services and inauguration of the service or operation to which related.

(e) Amounts included in this account which contribute to or protect the position of the normal air transportation services currently conducted by the carrier shall be amortized to profit and loss account 74 Amortization, unless otherwise approved or directed by the Civil Aeronautics Board. Other amounts included in this account shall be amortized or charged to profit and loss account 89.9 Other Miscellaneous Nonoperating Debits.

1840 Unamortized Debt Expense.

(a) Record here the expense related to the assumption by the air carrier of debt of all types and classes. Amounts recorded in this account shall be amortized to profit and loss account 84 Amortization of Debt Discount, Premium and Expense.

(b) This account shall not include the excess of the par value of debt securities over the cash value of consideration received. Instead, discounts shall be recorded in a subaccount of the related liability.

1870 Property Acquisition Adjustment.

(a) Record here the difference between the purchase price to the air carrier of property and equipment acquired as a part of a business from another air carrier through consolidation, merger, or reorganization, pursuant to a plan approved by the Civil Aeronautics Board, and the depreciated cost to the predecessor company at date of acquisition. Record here also such differences relating to purchases of property and

equipment from associated companies unless other treatment is approved by the Board. Separate subaccounts shall be established to record the amounts applicable to each such acquisition.

(b) Balances in this account shall be amortized by charges to profit and loss account 89.9 Other Miscellaneous Non-operating Debits unless otherwise directed or approved by the Civil Aeronautics Board.

(c) When charges are made to this account, each air carrier shall file a statement of accounting procedures with the Civil Aeronautics Board in accordance with section 22(d) or 32(d), as applicable. The required statement shall include an explanation of the charges and the air carrier's proposed plan for writeoff or amortization.

(d) The foregoing instructions do not apply to purchases of individual units of property or equipment from another air carrier when such acquisitions do not require approval of the Civil Aeronautics Board.

1880 Intangible assets.

Record here the cost of leaseholds, patents, copyrights and other intangible properties, rights and privileges acquired as part of a business from other air carriers and other intangible assets not provided for elsewhere. This account shall be subdivided to reflect the nature of each intangible asset included in this account. Amortization of each intangible asset recorded in this account shall be effected in accordance with a plan filed with the Civil Aeronautics Board. (See section 5-5.)

1890 Other assets.

(a) Record here other assets and deferred charges not provided for elsewhere.

(b) Record here debits, the proper final disposition of which cannot be effected until additional information has been received. This account shall include the accumulated cost of labor, materials and outside services used in the process of manufacturing flight equipment expendable parts and materials and supplies for stock, the accumulated cost of jobs in process for others, and projects to be charged to expense upon completion.

(c) This account shall be charged with property loss and other costs related to casualties and credited with recoveries from purchased insurance and salvage. A debit or credit balance in this account related to property retired as a result of a casualty shall be recorded in profit and loss account 88.5 Capital Gains and Losses—Operating Property or 88.6 Capital Gains and Losses—Other; however, any balances related to property not retired or to other casualties shall be recorded in profit and loss account 58 Injuries, Loss and Damage. Proceeds from purchased insurance for property damage, received prior to repair of such damage, shall not be credited to this account but to balance sheet account 2390 Other Deferred Credits pending repair. The records for each major casualty shall be

kept in such manner as to clearly disclose insurance recoveries and the total costs, which shall include charges for the depreciated cost of property damaged or destroyed, costs for clearing wrecks and damaged property and equipment, including salaries and wages for the repair thereof, and payments for damages to property of others. The cost of casualties shall not be charged directly against retained earnings or appropriations thereof, but shall be cleared through the applicable profit and loss accounts in accordance with the foregoing.

CURRENT LIABILITIES

2000 Current maturities of long-term debt.

Record here the face value or principal amount of debt securities issued or assumed by the air carrier which is payable within 12 months of the balance sheet date unless such debt is to refinance, or where payment is to be made from assets of a type not properly classifiable as current.

2005 Notes payable—banks.

Record here the face value of all notes, drafts, acceptances, or other similar evidences of indebtedness payable on demand or within one year to a bank or another financial institution with the exception of current maturities of long-term debt which should be included in account 2000.

2015 Notes payable—other.

Record here the face value of all notes, drafts, acceptances, or other similar evidences of indebtedness payable on demand or within one year to an associated company or party other than a financial institution.

2021 Trade accounts payable.

Record here all accounts payable within one year which accrued from generally recognized trade practices.

2025 Accounts payable—other.

Record here all accounts payable within one year which are not provided for in accounts 2000 to 2021, inclusive.

2110 Accrued salaries, wages.

Record here amounts accrued for unpaid compensation to personnel, which have been charged to profit and loss or capitalized, as compensation for the period in which accrued.

2120 Accrued vacation liability.

(a) Record here accruals of liabilities for personnel vacations. All vacation policies, plans, or agreements whether oral or written shall be accounted for on an accrual basis whenever a lag exists between vacations earned and vacations taken, thereby resulting in a liability against the carrier under the applicable policy, plan or agreement.

(b) This account shall be credited and the applicable personnel compensation expense account concurrently charged with the cost of any lag between vacations accrued and vacations taken. Ac-

cruals may be based upon standard rates of lag, if such standard rates are verified by physical inventory and adjusted accordingly at least once each calendar year. Adjustments of balances in this account shall be cleared to applicable compensation expense accounts. (See section 2-5 for applicable accounting policy.)

(c) Each air carrier shall file a statement with the Board fully describing the accounting procedures followed in accruing liability for personnel vacations. This statement shall include such information as (1) bases of accrual; (2) whether the accruals are made pursuant to a labor agreement, individual contract, or a company policy; and (3) whether the accruals cover all employees or certain categories only. (See section 22(d) or 32(d), as applicable.)

2125 Accrued interest.

Record here interest payable within one year for all outstanding obligations.

2130 Accrued taxes.

(a) Record here accruals for currently payable income and other forms of taxes which constitute a charge borne by the air carrier as opposed to those collected as an agent for others. Provisions for deferred taxes shall be accrued in accordance with the provisions of section 2-6 Income Tax Accruals.

(b) At the option of the air carrier, investment tax credits may be treated as a reduction of income tax expense in the year they are actually realized (flow-through method) or they may be deferred and amortized over the useful life of the property to which it relates (deferred method).

(c) Air carriers electing to account for the investment tax credit by the flow-through method shall credit profit and loss subaccount 91.2 Investment Tax Credits Utilized or profit and loss account 97 Income Taxes Applicable to Extraordinary Items and debit this account with the amount of investment tax credit utilized in the current accounting period.

(d) Air carriers electing to account for the investment tax credit by the deferred method shall, concurrent with the above entry set forth in subsection (c), debit profit and loss subaccount 93.1 Investment Tax Credits Deferred or profit and loss account 97 Income Taxes Applicable to Extraordinary Items and Credit balance sheet account 2345 Deferred Investment Tax Credits with the investment tax credit utilized as a reduction of the current year's tax liability but deferred for accounting purposes. The investment tax credits deferred in account 2345 shall be amortized to profit and loss subaccount 93.2 Amortization of Deferred Investment Tax Credits over the service life of the related property.

(e) The amount of any potential investment tax credit applicable to property placed in service during each accounting year and not used as an offset against tax liability or the deferred income tax balance as provided in section

6-2340 shall be debited to a memorandum account under balance sheet account 2390 Other Deferred Credits titled "Investment Tax Credits Available" and shall be credited to a memorandum account also under balance sheet account 2390 "Unrealized Investment Tax Credits." As investment tax credits are utilized in the reduction of tax liabilities or deferred taxes, these two memorandum accounts shall be adjusted to reflect the balance of unused and unexpired credits.

(f) Each air carrier shall disclose in the footnotes of its CAB Form 41 for each calendar quarter whether utilized credits are accounted for by the flow-through method or the deferred method. The method selected shall be consistently followed by the carrier.

2140 Dividends declared.

Record here in separate subdivisions for each class and series of capital stock, all dividends declared but unpaid on capital stock.

2160 Air traffic liability.

(a) Record here balances representing the value of unused transportation sold. Transportation sold includes both sales for transportation to be provided by the air carrier and transportation to be provided by another air carrier.

(b) Earned revenue, determined by the yield or average fare method or by the sales-lift-match method, shall be consistently and periodically cleared by debit to this account, and by credit to the appropriate profit and loss revenue account. Amounts receivable for transportation to be provided by the air carrier shall be debited to balance sheet account 1270 Accounts Receivable.

(c) Carriers who determine earned revenue on a yield or average fare method may not accrue income during the accounting year in anticipation of a favorable annual physical inventory determination, nor for unused or unrepresented tickets.

(d) Subaccounts to this account shall be established to record balances pertaining to passenger and cargo transportation sold, respectively, and separately to sales in scheduled and non-scheduled services.

(e) In accordance with the provisions of section 22(d) or section 32(d), as applicable, a statement shall be filed with the Board which fully explains the accounting methods and bases of clearing to income, both earned revenue and the revenue that is derived from unused or unredeemed transportation sales.

2190 Other current liabilities.

Record here current and accrued liabilities, including amounts payable collected as an agent, not provided for in accounts 2110 to 2160, inclusive.

NONCURRENT LIABILITIES

2210 Long-term debt.

Record here the face value or principal amount of debt securities issued or assumed by the air carrier and held by other than associated companies, which has not been retired or cancelled and is not payable within 12 months of the

balance sheet date, except as provided in section 5-7.

2240 Advances from associated companies.

Record here net amounts due associated companies and nontransport divisions for notes, loans and advances which are not settled currently. Balances payable to and receivable from different associated companies shall not be offset.

2250 Pension liability.

Record here the liability of the air carrier under employee pension plans, to which either or both employees and the air carrier contribute, if the plan is administered by the air carrier.

2260 Stock purchase plan liability.

Record here the liability for installments received on capital stock from company personnel who are not bound by legally enforceable subscription contracts.

2290 Other noncurrent liabilities.

Record here noncurrent liabilities not provided for in balance sheet accounts 2210 to 2260, inclusive, such as accruals for personnel dismissal liability, and accruals of other demonstrable miscellaneous noncurrent liabilities.

DEFERRED CREDITS

2340 Deferred income taxes.

(a) Record here credits and debits representing the net tax effect of material timing differences originating and reversing in the current accounting period giving appropriate recognition to the portion of investment tax credits which would have been allowed if taxes were based on pretax accounting income by a reduction of the deferred tax provision. Loss carryforwards shall be accounted for in accordance with section 2-6(d).

(b) This account shall be credited or debited as appropriate and profit and loss subaccount 92.1 Current Provision for Deferred Taxes or profit and loss account 97 Income Taxes Applicable to Extraordinary Items shall be credited or debited each quarter with the income elements for which the related income tax effect is deferred. The tax effects of timing differences may be computed individually or by similar groups of timing differences. The tax effect of timing for similar groups may be computed using separate computations for the tax effect of originating differences at current rates and for the tax effect of reversing differences at tax rates in effect at the beginning of the period; or, a single computation, at current tax rates for the net cumulative effect of both originating and reversing differences. The method chosen shall be consistently applied from period to period.

(c) This account shall be credited or debited as appropriate and profit and loss subaccount 92.2 Application of Taxes Deferred shall be credited or debited each quarter with deferred tax amounts previously accrued which are allocable to income of the current period.

(d) Upon adjustment or elimination of the income element for which income taxes are deferred, the related deferred

tax balance included in this account shall be correspondingly adjusted or eliminated by a credit or debit as appropriate to profit and loss account 92.3 Adjustment of Deferred Taxes.

(e) Any net debit balance in this account shall be treated for statement purposes as a special subaccount of balance sheet account 1890 Other Assets.

(f) All adjustments shall be effected through appropriate credits or debits to profit and loss subaccount 92.3 Adjustment of Deferred Taxes. Full explanation of each adjustment shall be set forth in the footnotes to CAB Form 41 for the period in which the adjustment is made.

2345 Deferred investment tax credits.

Record here investment tax credits utilized as reduction of tax liabilities, when the carrier exercises the option to defer such credits for amortization over the service life of the related equipment (see section 6-2130).

2390 Other deferred credits.

Record here credits, not provided for elsewhere, the proper final disposition of which cannot be effected until additional information has been received.

COMMITMENTS AND CONTINGENT LIABILITIES

The existence of commitments or contingent liabilities shall be disclosed as prescribed in section 5-8 by inserting the footnote reference to schedule B-2 or P-2 on Schedule B-1, "Balance Sheet," immediately following the title "Commitments and Contingent Liabilities."

STOCKHOLDERS' EQUITY

2320 Preferred stock.

Record here in separate subdivisions for each class and series, the par or stated value of preferred capital stock issued or in the case of no-par stock without stated value, the full consideration received.

2340 Common stock.

Record here in separate subdivisions for each class and series, the par or stated value of common stock issued or in case of no-par stock without stated value, the full consideration received.

2360 Subscribed and unissued stock.

Record here in separate subdivisions for each class and series, the par or stated value, or the subscription price in the case of stock without par or stated value, of legally enforceable subscriptions to the capital stock of the air carrier.

2390 Additional capital invested.

(a) Record herein separate subdivisions for each class and series, the difference between the price at which capital stock is sold and the par or stated value of the stock; gains or losses arising from the reacquisition and the resale or retirement of each class and series of capital stock; donations; the excess of retained earnings capitalized over par or stated value of capital stock issued; adjustments in capital resulting from reorganization or recapitalization; and proceeds attributable to detachable stock purchase warrants related to debt issues. This account shall also include balances of contributions to the business

enterprise of individual proprietors or partners.

(b) Each air carrier shall maintain the following subaccounts:

2890.1 *Premium on capital stock.* Record here in separate subdivisions for each class and series of capital stock issued the excess of the cash value of consideration received over the par or stated value and accrued dividends of stock issued together with assessments against stockholders representing payments required in excess of par or stated value.

2890.2 *Discount on capital stock.* Record here in separate subdivisions for each class and series of capital stock issued, the excess of the par or stated value over the cash value of consideration received, less accrued dividends. Discounts applicable to a particular class and series of capital stock may be offset against premiums from the same class and series of capital stock. Discounts and premiums on different classes and series of capital stock shall not be offset. The air carrier may, at its option, record in this sub-account commissions and expenses incurred in the issuance of capital stock and may charge balance sheet account 2900 Retained Earnings to the extent capital stock expense may exceed any existing balance of paid-in capital over the par or stated value of capital stock.

2890.3 *Other Capital Stock Transactions.*

Record here in separate subdivisions for each class and series, the balance of credits arising from the reacquisition and resale or cancellation of capital stock, credits arising from a reduction in the par or stated value of capital stock or the net balance of credits or debits resulting from other paid-in capital transactions such as proceeds attributable to detachable stock purchase warrants related to debt issues, not provided for elsewhere, which is identified with a particular class and series of capital stock.

2900 *Retained Earnings.*

(a) Record here the net income or loss from operations of the air carrier and dividends declared on capital stock.

(b) This account shall not be charged with dividends on treasury stock. If a dividend is not payable in cash, the values entered in this account shall be completely described.

(c) Delayed credits or charges to income shall not be entered in this account directly but in appropriate profit and loss accounts.

(d) Net income or loss accounted for during the current fiscal year shall not be entered in this account until the close of the fiscal year. Individual proprietorships or partnerships may clear net income or loss accounted for during the year directly to balance sheet account 2890 Additional Capital Invested, or optionally, to this account for subsequent transfer to balance sheet account 2890 Additional Capital Invested.

2950 *Net Unrealized Loss on Noncurrent Marketable Equity Securities.*

Record here the changes in the valuation of marketable equity securities included in noncurrent assets. Such changes shall be reflected in this account to the extent the balance in this account represents a net unrealized loss as of the current balance sheet date.

2990 *Treasury Stock.*

(a) Charge here the cost of capital stock issued by the air carrier reacquired

by it and not retired or canceled. Capital credits or debits resulting from the resale or retirement of capital stock held in this account shall be recorded as prescribed in paragraph (f) of section 5-9 Stockholder Equity.

(b) Separate records shall be established for each class and series of capital stock held in this account.

19. Amend Section 7—Chart of Profit and Loss Accounts to read in pertinent part as follows:

PROFIT AND LOSS CLASSIFICATION

Section 7—Chart of Profit and Loss Accounts

Objective classification of profit and loss elements	Functional or financial activity to which applicable (00)		
	Group I carriers	Group II carriers	Group III carriers
OPERATING REVENUES AND EXPENSES			
Transport revenues:			
01.2 Passenger—Coach.....	31,32	31,32	31,32
05 Mail:			
05.1 Priority.....	31,32	31,32	31,32
05.2 Nonpriority.....	31,32	31,32	31,32
05.3 Foreign.....	31,32	31,32	31,32
06 Property:			
06.5 Excess passenger baggage.....	31,32	31,32	31,32
07 Charter:			
07.1 Passenger.....	32	32	32
07.2 Property.....	32	32	32
19 Air transport—Other:			
19.1 Reservation cancellation fees.....	31,32	31,32	31,32
19.2 Miscellaneous operating revenues.....	31,32	31,32	31,32
08 Public service revenues (subsidy).....	48	48	48
Transport-related revenues and expenses:			
09 In-flight sales:			
75.5 General ground property.....	70	70	70
76 Foreign exchange gains and losses.....	69	68	68
77 Uncleared expense credits.....			
NONOPERATING INCOME AND EXPENSE			
80 Interest income.....	81	81	81
81 Interest on long-term debt.....	81	81	81
82 Other interest.....	81	81	81
83 Capitalized interest:			
83.1 Imputed interest capitalized—Credit.....	81	81	81
83.2 Imputed interest deferred—Debit.....	81	81	81
83.3 Imputed interest deferred—Credit.....	81	81	81
83.4 Interest capitalized—Credit.....	81	81	81
84 Amortization of debt discount, premium and expense:			
84.1 Amortization of discount and expense on debt.....	81	81	81
84.2 Amortization of premium on debt.....	81	81	81
85 Foreign exchange gains and losses.....	81	81	81
87 Equity in income of investor controlled companies.....	81	81	81
89 Other nonoperating income and expense—Net:			
89.0 Income from nontransport ventures.....	81	81	81
89.1 Intercompany transaction adjustment—Credit.....	81	81	81
89.2 Dividend income.....	81	81	81
89.3 Net unrealized gain or loss on marketable equity securities.....	81	81	81
89.4 Net realized gain or loss on marketable equity securities.....	81	81	81
89.5 Capital gains and losses—Operating property.....	81	81	81
89.6 Capital gains and losses—Other.....	81	81	81
89.7 Unapplied cash discounts.....	81	81	81
89.8 Other miscellaneous nonoperating credits.....	81	81	81
89.9 Intercompany transaction adjustment—Debit.....	81	81	81
89.9 Other miscellaneous nonoperating debits.....	81	81	81
INCOME TAXES			

20. Amend Section 8—General by revising paragraph (d) (5) to read as follows:

(d) * * *

(5) *Discontinued operations.* This primary classification (9600) shall include earnings and losses of discontinued nontransport operations and gains or losses from the disposal of nontransport operations the result of which are customarily accounted for through profit and loss objective accounts 86, 87 and 88.2 (see sec. 2-7(e)).

21. Amend Section 10—Functional Classification—Operating Expenses of Group I Air Carriers by revising functional classification 5400 Maintenance to read in pertinent parts as follows:

5400 Maintenance.

(e) Each Group I air carrier shall maintain the following subfunctions:

5200 *Direct Maintenance.*

a. This subfunction shall include the costs of labor, materials and outside services consumed directly in periodic maintenance operations and the maintenance and repair of property and equipment, of all types and classes, regardless of the location at which incurred, exclusive of costs specifically identified with maintenance property and equipment expenses in balance sheet accounts 1630 Equipment, 1639 Improvements to Leased Buildings and Equipment, and 1640.1 Maintenance Buildings and Improvements which shall be included in subfunction 5300 Maintenance Burden.

5300 *Maintenance Burden.*

a. This subfunction shall include all overhead or general expenses which are specifically identified with activities involved in periodic maintenance operations and the maintenance and repair of property and equipment of all types and classes, including the cost of direct labor, materials and outside services identified with the maintenance and repair of maintenance property and equipment included in balance sheet accounts 1630 Equipment, 1639 Improvements to Leased Buildings and Equipment, and 1640.1 Maintenance Buildings and Improvements. It shall include expenses specifically related to the administration of maintenance stocks and stores, the keeping of pertinent maintenance operation records, and the scheduling, controlling, planning and supervision of maintenance operations.

b. * * *

c. This subfunction shall include only those expenses attributable to the current air transport operations of the air carrier. Maintenance burden associated with capital projects of the air carrier, other than overhauls of airframes and aircraft engines, shall be allocated thereto in accordance with the provisions of section 2-9(b). Maintenance burden incurred in common with services to other companies and operating entities shall be allocated thereto on a pro rata basis unless such services are so infrequent in performance or small in volume as to result in no appreciable demands upon the air carrier's maintenance facilities. When overhauls of airframes or aircraft engines are as a consistent practice accounted for on an accrual basis instead of expensed directly, maintenance burden shall be allocated thereto on a pro rata basis. Standard burden rates may be employed for quarterly allocations of maintenance burden provided the rates are reviewed at the close of each fiscal year, at least. When

the actual burden rate for the year differs materially from the standard burden rate applied, adjustment shall be made to reflect the actual cost incurred for the full accounting year. Allocations of maintenance burden to capital projects, and service sales to others shall be effected through the individual maintenance burden objective accounts, except that the air carrier may effect such allocations by credits to profit and loss account 77 Uncleared Expense Credits under circumstances in which the use of that account will not undermine the significance of the individual maintenance burden objective accounts in terms of the expense levels associated with the air carrier's air transport services. Maintenance burden allocated to overhauls shall be credited to profit and loss subaccounts 5372.2 or 5372.7 Airworthiness Allowance Charges. In accordance with the provisions of section 22(d) or 32(d), as applicable, each air carrier shall file with the Civil Aeronautics Board a statement in which procedures followed in allocating maintenance burden between current transport services, overhauls, capital projects and outside services are fully explained.

22. Amend Section 11—Functional Classification—Operating Expenses of Group II and Group III Air Carriers by revising functional classification 5400 Maintenance to read in pertinent parts as follows:

5400 Maintenance.

(e) Both Group II air carriers and Group III air carriers shall maintain the following subfunctions:

5200 *Direct Maintenance.*

a. This subfunction shall include the costs of labor, materials and outside services consumed directly in periodic maintenance operations and the maintenance and repair of property and equipment of all types and classes, regardless of the location at which incurred, exclusive of maintenance property and equipment included in balance sheet accounts 1630 Equipment, 1639 Improvements to Leased Buildings and Equipment, and 1640.1 Maintenance Buildings and Improvements, which shall be included in subfunction 5300 Maintenance Burden.

5300 *Maintenance Burden.*

a. This subfunction shall include all overhead or general expenses used directly in the activities involved in periodic maintenance operations and the maintenance and repair of property and equipment of all types and classes, including the cost of direct labor, materials and outside services used in the maintenance and repair of maintenance property and equipment included in balance sheet accounts 1630 Equipment, 1639 Improvements to Leased Buildings and Equipment, and 1640.1 Maintenance Buildings and Improvements. It shall include expenses related to the administration of maintenance stocks and stores, the keeping of pertinent maintenance operation records, and the scheduling, controlling, planning and supervision of maintenance operations.

b. * * *

c. This subfunction shall include only those expenses attributable to the current air transport operations of the air carrier. Maintenance burden associated with capital projects of the air carrier, other than overhauls of airframes and aircraft engines, shall be allocated thereto in accordance with the provisions of section 2-9(b). Maintenance burden incurred in common with services to other companies and operating entities shall be allocated thereto on a pro rata basis unless

such services are so infrequent in performance or small in volume as to result in no appreciable demands upon the air carrier's maintenance facilities. When overhauls of airframes or aircraft engines are as a consistent practice accounted for on an accrual basis instead of expensed directly, maintenance burden shall be allocated thereto on a pro rata basis. Standard burden rates may be employed for quarterly allocations of maintenance burden provided the rates are reviewed at the close of each fiscal year, at least. When the actual burden rate for the year differs materially from the standard burden rate applied, adjustment shall be made to reflect the actual costs incurred for the full accounting year. Allocations of maintenance burden to capital projects, and service sales to others shall be effected through the individual maintenance burden objective accounts, except that the air carrier may effect such allocations by credits to profit and loss account 77 Uncleared Expense Credits under circumstances in which the use of that account will not undermine the significance of the individual maintenance burden objective accounts in terms of the expense levels associated with the air carrier's air transport services. Maintenance burden allocated to overhauls shall be credited to profit and loss subaccounts 5372.2 or 5372.7 Airworthiness Allowance Charges. In accordance with the provisions of section 22(d) or 32(d), as applicable, each air carrier shall file with the Civil Aeronautics Board a statement in which procedures followed in allocating maintenance burden between current transport services, overhauls, capital projects and outside services are fully explained.

23. Amend Section 12—Objective Classification—Operating Revenues and Expenses as follows:

A. By revising paragraph (a) of account 01 Passenger to read:

01 Passenger.

(a) Record here revenue from the transportation of passengers by air, including infants transported at reduced fares, berth charges, surcharges for premium services and other similar charges. Revenue from airline employees, officers and directors, or other persons, except for ministers of religion, who are traveling under reduced-rate transportation authorized by section 403(b) of the Federal Aviation Act and Part 223 of the Board's Economic Regulations, as well as revenue from travel agents, cargo agents and tour conductors traveling at reduced fares, and revenues from service charges for passengers traveling on a nonrevenue basis shall be recorded in objective account 19 Air Transport—Other.

B. By deleting account 02 United States Mail and account 03 Foreign Mail and inserting in their place between account 01 Passenger and account 06 Property a new account entitled 05 Mail to read:

05 Mail.

(a) Record here revenue from both the transportation by air of United States mail at service mail rates established by the Civil Aeronautics Board and the transportation by air of mail other than United States mail.

(b) Fines and penalties imposed by the United States Government and foreign governments in connection with the carriage of mail shall not be charged to

this account but to profit and loss account 89.9 Other Miscellaneous Nonoperating Debits.

(c) This account shall be subdivided as follows by all air carrier groups:

05.1 Priority.

Record here revenue from United States mail bearing postage at rates established specifically for air mail service or mail moving at service transportation rates equivalent to those established for mail bearing the full air mail postage.

05.2 Nonpriority.

Record here revenue from United States mail moving at service transportation rates lower than those established for mail bearing postage established specifically for air mail service.

05.3 Foreign.

Record here revenue from the transportation by air of mail other than United States mail.

C. By revising the title of account 07 Charter and Special to read as follows:

07 Charter.

D. By changing the account title of account 08 Section 406 Subsidy to read as follows:

08 Public Service Revenues (Subsidy).

E. By revising the last sentence of paragraph (b) of account 14 General Service Sales to read as follows:

14 General Service Sales.

(b) * * * Maintenance parts, materials or supplies sold as a service to others shall be charged to this account at cost without adjustment of related obsolescence or depreciation allowances.

F. By revising the title of account 19 Other Operating Revenues and paragraph (b) to read as follows:

19 Air Transport—Other.

(b) Revenues derived from sightseeing, aerial photography, advertising, or other special flights shall not be included in this account but in account 07 Charter.

G. By revising account 40 Legal Fees and Expenses to read as follows:

40 Legal Fees and Expenses.

Record here expenditures incurred for legal services by counsel retained on a fee basis and related expenses reimbursed or borne directly by the air carrier and other expenses incurred directly by the air carrier for legal supplies not obtainable from the air carrier's general stationery stock. This account shall not be charged with legal fees or expenses incurred in connection with claims occasioned by accidents or other casualties. Such charges shall be accumulated in balance sheet account 1890 Other Assets and cleared to profit and loss account 58 Injuries, Loss and Damage upon settlement of insurance claims. Nor should this account include fees or expenses related to developmental projects. Such expenses shall be included, as appropriate,

in profit and loss account 89.9 Other Miscellaneous Nonoperating Debits or balance sheet account 1830 Unamortized Developmental and Preoperating Costs.

H. By revising account 41 Professional and Technical Fees and Expenses to read as follows:

41 Professional and Technical Fees and Expenses.

Record here fees and expenses, other than legal fees and expenses, incurred for outside professional and technical services which are reimbursed or borne directly by the air carrier. This account shall not include fees or expenses related to developmental projects. Such expenses shall be included, as appropriate, in profit and loss account 89.9 Other Miscellaneous Nonoperating Debits or balance sheet account 1830 Unamortized Developmental and Preoperating Costs.

I. By revising account 54 Inventory Adjustments to read as follows:

54 Inventory Adjustments.

Record here adjustments for overage, shortage or shrinkage of inventories carried in balance sheet account 1300 Spare Parts and Supplies. Adjustment of aircraft fuel and oil inventories due to retroactive price increases and decreases shall not be included in this account but in profit and loss account 45 Aircraft Fuels and Oils. Gains or losses from retirements of materials and supplies shall not be recorded in this account but in profit and loss account 88.5 Capital Gains and Losses—Operating Property.

J. By revising account 56 Insurance—Traffic Liability as follows:

56 Insurance—Traffic Liability.

Record here the cost of purchased insurance covering liability for injuries, loss and damage to passengers and cargo.

K. By revising the first sentence of paragraph (a) for account 57 Employee Benefits and Pensions to read:

57 Employee Benefits and Pensions.

(a) Record here all costs for the benefit or protection of employees including all pension expenses whether for payments to or on behalf of retired employees or for accruals or annuity payments to provide for pensions; and all expenses for accident, sickness, hospital, and death benefits to employees or the cost of insurance to provide these benefits. * * *

L. By revising account 58 Injuries, Loss and Damage to read as follows:

58 Injuries, Loss and Damage.

Record here the remainder of gains, losses or costs resulting from accidents, casualties or mishandlings, after offsetting insurance recoveries, as accumulated until finally determined, in balance sheet account 1890 Other Assets. This account shall not include gains or losses from retirement of property and equipment resulting from casualties. Such gains or losses shall be recorded in appropriate capital gains or losses accounts.

M. By revising account 66 Uncollectible Accounts to read as follows:

66 Uncollectible Accounts.

Record here losses from uncollectible accounts and allowance provisions and adjustments thereto, for such losses. When allowances for uncollectible accounts are established, losses as realized shall be charged against such allowances and shall not be charged to this account.

N. By revising paragraph (a) of account 69 Taxes—Other Than Payroll to read as follows:

69 Taxes—Other Than Payroll.

(a) Record here all taxes levied against the air carrier not otherwise provided for including nonrefundable aircraft fuel and oil taxes. Interest and penalties on delinquent taxes shall not be charged to this account but to profit and loss accounts 82 Other Interest and 89.9 Other Miscellaneous Nonoperating Debits, respectively.

O. By revising paragraph (b) of account 72 Aircraft Overhauls to read in pertinent part as follows:

72 Aircraft Overhauls.

(b) * * *

72.1 Airworthiness Allowance Provisions—Airframes.

72.2 Airworthiness Allowance Charges—Airframes (Credit).

Record here credits for airframe overhaul costs incurred in the current period which have been charged against related airworthiness allowances.

72.6 Airworthiness Allowance Provisions—Aircraft Engines.

72.7 Airworthiness Allowance Charges—Aircraft Engines (Credit).

Record here credits for aircraft engine overhaul costs incurred in the current period which have been charged against related airworthiness allowances.

P. By revising account 73 Provisions for Obsolescence and Deterioration—Expendable Parts to read as follows:

73 Provisions for Obsolescence and Deterioration—Expendable Parts.

(a) Where allowances for loss in value of flight equipment expendable parts are established, provisions for accruals to such allowances shall be charged to this account and credited to balance sheet account 1311 Allowance for Obsolescence in accordance with the provisions of that account.

(b) This account shall be subdivided as follows by all air carrier groups:

73.1 Current provisions. Record here provisions during the current period for losses in value of expendable parts.

73.2 Inventory decline credits. Record here credits applicable to the current period for any adjustments for excess inventory allowance levels determined pursuant to section 6-1311.

Q. By revising paragraph (b) of account 74 Amortization to read in pertinent part as follows:

74 Amortization.

(b) * * *

74.1 Developmental and preoperating expenses. Record here amortization of the cost of projects carried in balance sheet account 1830 Unamortized Developmental and Preoperating Costs as approved or directed by the Civil Aeronautics Board.

74.2 Other intangibles.

R. By revising subparagraphs 75.8 and 75.9 of account 75.5 Depreciation—Other Flight Equipment in pertinent part to read:

75.8 Depreciation—maintenance equipment and hangars. Record here provisions for depreciation of maintenance property and equipment included in balance sheet accounts 1630 Equipment, 1639 Improvements to Leased Buildings and Equipment, and 1640.1 Maintenance Buildings and Improvements.

75.9 Depreciation—general ground property. Record here provisions for depreciation of property and equipment included in balance sheet accounts 1630 through 1640, exclusive of provision for depreciation of maintenance property and equipment included in account 75.8.

S. By revising the title and description of account 76 Foreign Exchange Fluctuation Adjustments to read:

76 Foreign exchange gains and losses.

Record here gains or losses from transactions involving currency translations resulting from normal, routine, current fluctuations in rates of foreign exchange in accordance with provisions of section 2-3. Gains or losses of a non-routine abnormal character and gains or losses which arise from long-term debt principal and interest transactions shall not be entered in this account but in a profit and loss account 85, Foreign Exchange Gains and Losses.

23. Amend Section 14—Objective Classification—Nonoperating Income and Expense to read in its entirety as follows:

Section 14—objective classification—nonoperating income and expense.

80 Interest income.

(a) Record here interest income from all sources. This account shall include as an increase or reduction of interest received the proportionate amortization of any discount or premium on the purchase price of securities of others held by the air carrier.

(b) This account shall not include interest on securities issued or assumed by the air carrier and subsequently reacquired.

81 Interest on long-term debt.

Record here interest on all classes of debt which are scheduled to mature more than one year from the date of the current balance sheet.

82 Other interest.

Record here interest on all classes of debt which are scheduled to mature within one year from the date of the current balance sheet.

83 Capitalized interest.

(a) Record here all interest which is capitalized pursuant to section 2-10 and charged to asset accounts.

(b) This account shall be subdivided as follows by all air carrier groups:

83.1 Imputed interest capitalized—Credit. Record here credits related to imputed interest capitalized and recorded in asset accounts.

83.2 Imputed interest deferred—debit. Record here debits related to imputed interest deferred in balance sheet account 2380 Other Deferred Credits.

83.3 Imputed interest deferred—credit. Record here periodic credits for imputed interest, cleared to this account as the amount of such interest in the asset accounts is written off.

83.4 Interest capitalized—Credit. Record here interest which is capitalized and recorded in asset accounts.

84 Amortization of debt discount, premium and expense.

(a) Record here for all classes of debt the amortizations of premium, discount, and expense on short-term and long-term obligations.

(b) This account shall be subdivided as follows by all air carrier groups:

84.1 Amortization of discount and expense on debt.

84.2 Amortization of premium on debt.

85 Foreign exchange gains and losses.

Record here gains and losses from transactions involving currency translations resulting from nonroutine abnormal changes in rates of foreign exchange and gains or losses which arise from translations of long-term debt principal and interest transactions in accordance with provisions of section 2-3.

86 Income from nontransport ventures.

Included under account 89 Other Non-Operating Income and Expense—Net.

87 Income from investor controlled companies.

Record here the equity in the current earnings or losses of investor controlled companies. Dividends declared on the stock of such companies shall not be included in this account as income but shall be entered in balance sheet sub-account 1510.1 Investments in Investor Controlled Companies as a return on investment.

89 Other nonoperating income and expense—net.

(a) Record here all debits and credits of a nonoperating character which are not otherwise provided for in this section.

(b) This account shall be subdivided as follows by all air carrier groups:

89.0 Income from nontransport ventures. (a) Record here the gross revenues and expenses applicable to operations not reason-

ably considered as incidental to the commercial air transport services of the accounting entity; rents from nonoperating properties used by others; income or loss from nontransport divisions; and other income or loss from activities of the air carrier which are extraneous to the air transport and incidental services of the accounting entity.

(b) This account shall include revenues and expenses applicable to nonscheduled transport services performed for the defense establishment when and as separate reports for such services are required in accordance with section 21 or 31, as applicable, Introduction to System of Reports. Where the foregoing transport services are not required to be separately reported, gross revenues from such services shall be included in profit and loss account 07 Charter, or other appropriate revenue account, and gross expenses shall be included in the appropriate operating expense functions.

88.1 Intercompany transaction adjustment—Credit. Record here all intercompany credits for any differences between amounts at which transactions between the air carrier and its nontransport divisions or associated companies are initially recorded and are to be settled as provided under section 2-18.

88.2 Dividend income. Record here income from dividends declared on stocks of other than investor controlled companies. Dividends declared on stock of investor controlled companies shall not be included in this account but shall be entered in balance sheet sub-account 1510.1 Investments in Investor Controlled Companies.

88.3 Net unrealized gain or loss on marketable equity securities. Record here the net unrealized gain or loss on the valuation of marketable equity securities pursuant to the provisions of section 2-12.

88.4 Net realized gain or loss on marketable equity securities. Record here the net realized gain or loss on the valuation of marketable equity securities pursuant to the provisions of section 2-12.

88.5 Capital gains and losses—operating property. Record here gains or losses on retirements of operating property and equipment, flight equipment expendable parts, or miscellaneous materials and supplies sold or otherwise retired in connection with a general retirement program as opposed to incidental sales performed as a service to others.

88.6 Capital gains and losses—other. Record here gains or losses not required to be reported in accounts 88.3, 88.4 and 88.5 such as gains or losses on retirement of nonoperating property and equipment and investments in other than marketable equity securities.

88.7 Unapplied cash discounts. Record here cash discounts on routine purchases of materials, repair parts or supplies. Cash discounts on classes of assets included in property and equipment accounts shall not be recorded in this account but shall be applied as a reduction of the cost of such accounts.

88.9 Other miscellaneous nonoperating credits. Record here all credits of a nonoperating character not provided for otherwise, such as royalties from patents and gains from reacquisition and retirement or resale of debt securities issued by the air carrier.

89.1 Intercompany transaction adjustment—Debit. Record here all intercompany debits for any differences between amounts at which transactions between the air carrier and its nontransport divisions or associated companies are initially recorded and are to be settled as provided under section 2-18.

89.9 Other miscellaneous nonoperating debits. Record here all debits of a nonoperating character not provided for otherwise, such as fines or penalties imposed by govern-

mental authorities; costs related to property held for future use; donations for charitable, social or community welfare purposes; losses on reacquired and retired or resold debt securities of the air carrier; losses on uncollectible nonoperating receivables; or accruals to allowance for uncollectible nonoperating receivables. This account shall be charged with the amortization of amounts carried in balance sheet account 1870 Property Acquisition Adjustment, unless otherwise approved or directed by the Civil Aeronautics Board.

24. Amend Section 15—Objective Classification—Income Taxes for Current Period by revising paragraph (a) of account 93 Investment Tax Credits Deferred and Amortized to read as follows:

93 Investment tax credits deferred and amortized.

(a) Record here investment tax credits of the current period which are transferred to balance sheet account 2345 Deferred Investment Tax Credits in accordance with the provisions of balance sheet account 2130 Accrued Taxes. This account shall also include amounts for pre-

viously deferred investment tax credits amortized during the current period.

25. Amend Section 17—Objective Classification—Extraordinary Items by revising account 96 Extraordinary Items to read as follows:

96 Extraordinary items.

Record here material items characterized by their unusual nature and infrequent occurrence as provided in section 2-7(b). Events or transactions which are material and either unusual or nonrecurring, but not both, shall not be recorded in this account but should be disclosed on CAB Form 41 Schedule P-2 and identified both as to their nature and financial effects.

26. Amend Section 22—General Reporting Instructions as follows:

A. By revising the list of reporting schedules in paragraph (a) so that the list in pertinent part reads:

Schedule No.	Schedule title	Filing frequency
B-1	Balance sheet	Monthly.
B-2	Notes to financial statements	Annually.
B-3	Statement of changes in stockholders' equity	Quarterly.
B-4	Allowance for uncollectible accounts; accounts with investor controlled companies, other associated companies and nontransport divisions.	Do.
B-5	Property and equipment	Do.
B-8(a)		
B-10	Unamortized developmental and preoperating costs	Quarterly.
B-12	Statement of changes in financial position	Do.
B-13	Summary of projected financial commitments and related deposits	Do.
B-46	Long-term and short-term nontrade debt	Do.
P-1.1	Statement of operations	Quarterly.
P-1.2	Statement of operations	Do.
P-1(a)	Interim statement of operations	Monthly.
P-2	Notes to CAB Form 41 report	Quarterly.
P-3(a)	Revenue market report	Do.
P-3(a)	Income taxes	Do.
P-4	Transport-related revenues and expenses; explanation of extraordinary items and cumulative effect of accounting changes on prior years; explanation of prior period adjustments and dividends declared.	Do.
P-5.1	Aircraft operating expenses—Group I air carriers.	Do.

B. By revising the list of "Due Dates of Schedules in CAB Form 41 Report" in paragraph (a) so that the list in pertinent part reads:

Due dates of schedules in CAB Form 41 report

Due date: ¹	Schedule No.
January 20	P-12, P-12(a).
January 30	B-1, P-1(a), P-13, T-1, T-2, T-3, T-6, T-7, T-41.
February 10 ²	A, B-3, B-4, B-5, B-7, B-7(b), B-8, B-10, B-12, B-13, B-14, P-1.1, P-1.2, P-2, P-2(a), P-3, P-3(a), P-4, P-5.1, P-5.2, P-5(a), P-6, P-7, P-8, P-9.1, P-9.2, P-10, P-11(a), P-11(b).
February 20	P-12, P-12(a).
March 1	B-1, P-1(a), P-13, T-1, T-7.
March 20	P-12, P-12(a).
March 30	A-2, B-1, B-2, ³ B-41, B-43, B-44, B-46, P-1(a), P-13, G-41, G-42, G-43, G-44, T-1, T-7.
April 20	P-12, P-12(a).
April 30	B-1, P-1(a), P-13, T-1, T-2, T-3, T-6, T-7.
May 10	A, B-3, B-4, B-5, B-7, B-7(b), B-8, B-10, B-12, B-13, B-14, P-1.1, P-1.2, P-2, P-2(a), P-3, P-3(a), P-4, P-5.1, P-5.2, P-5(a), P-6, P-7, P-8, P-9.1, P-9.2, P-10, P-11(a), P-11(b).
May 20	P-12, P-12(a).
May 30	B-1, P-1(a), P-13, T-1, T-7.
June 20	P-12, P-12(a).
June 30	B-1, P-1(a), P-13, T-1, T-7.
July 20	P-12, P-12(a).
July 30	B-1, P-1(a), P-13, T-1, T-2, T-3, T-6, T-7.
August 10	A, A-1, B-3, B-4, B-5, B-7, B-7(b), B-8, B-10, B-12, B-13, B-14, P-1.1, P-1.2, P-2, P-2(a), P-3, P-3(a), P-4, P-5.1, P-5.2, P-5(a), P-6, P-7, P-8, P-9.1, P-9.2, P-10, P-11(a), P-11(b).
August 20	P-12, P-12(a).
August 30	B-1, P-1(a), P-13, T-1, T-7.
September 20	P-12, P-12(a).

Due date:¹

September 30-----	B-1, P-1(a), P-13, T-1, T-7.
October 20-----	P-12, P-12(a).
October 30-----	B-1, P-1(a), P-13, T-1, T-2, T-3, T-6, T-7, T-41.
November 10-----	A, B-3, B-4, B-5, B-7, B-7(b), B-8, B-10, B-12, B-13, B-14, P-1.1, P-1.2, P-2(a), P-3, P-3(a), P-4, P-5.1, P-5.2, P-5(a), P-6, P-7, P-8, P-9.1, P-9.2, P-10, P-11(a), P-11(b).
November 20-----	P-12, P-12(a).
November 30-----	B-1, P-1(a), P-13, T-1, T-7.
December 20-----	P-12, P-12(a).
December 30-----	B-1, P-1(a), P-13, T-1, T-7.

Schedule No.

¹ Due dates falling on a Saturday, Sunday, or national holiday will become effective the first following working day.

² B and P reporting dates are extended to March 30, if preliminary schedules are filed at the Board by February 10.

³ Air carriers reporting to the Securities and Exchange Commission on other than a calendar year basis shall be permitted to submit schedule B-2 90 days after the end of the calendar quarter nearest to the end of the reporting air carrier's fiscal year.

C. In paragraph (d), subparagraph (3) is deleted and subparagraphs (4), and (8) are revised to read as follows:

(3) (Reserved.)

(4) Procedures for establishment of expense allocation allowances, as prescribed by section 2-13(d).

(8) Procedures for the accrual of obsolescence and deterioration allowances for flight equipment expendable parts, as required by section 6-1311(d).

D. By revising paragraph (i) to read:

(i) All changes in accounting methods having a material impact upon the particular financial elements involved, and all changes in methods of computing and reporting traffic and capacity statistics having a material impact upon the particular statistic involved shall be adequately explained and identified in the report first reflecting such changes. Such explanations related to financial position or financial results shall be made on CAB Form 41 schedule P-2. Changes in methods for computing or reporting traffic and capacity statistics shall be identified and explained on a separate sheet attached to the first report affected. (See sec. 2-16.) The reporting requirements shall not be construed, in any sense, as relieving the air carrier of the responsibility for conforming its procedures to those otherwise prescribed in this system of accounts and reports.

E. By adding a new paragraph (k) to read:

(k) Schedules B-1, B-2, B-3, B-12, P-1.1, and P-1.2 have been designed to permit submission to the Securities and Exchange Commission (SEC) for inclusion in SEC Form 10-K Item 10 for parent company air carriers accounting for subsidiaries using the equity method and other air carriers filing unconsolidated reports. In addition, schedule B-1 has been designed for inclusion in SEC Form 10-Q. The option of submitting these schedules to the SEC shall be available provided that all other SEC reporting and disclosure requirements, such as certification by an independent public accountant, are satisfied when these schedules are included in SEC Form 10-K or 10-Q.

27. Amend Section 23—Certification and Balance Sheet Elements as follows:

A. Revise paragraph (c) and add a new paragraph (d) to the reporting instructions for Schedule B-1 Balance Sheet to read:

(c) Individual proprietors or partners shall report the aggregate capital contributed by the proprietor or partners in account 2890 Additional Capital Invested.

(d) This schedule has been designed to facilitate the presentation of comparative data for prior periods when used in submissions to the Securities and Exchange Commission (SEC). (See section 22(k).) Comparative data need not be submitted when this schedule is not used for submission to the SEC. In all instances data for the current period shall be presented in the left column.

B. Revise the title and reporting instructions for schedule B-2 to read:

Schedule B-2—General Notes to Financial Statements

(a) This schedule shall be filed annually by route air carriers required to provide such data to the Securities and Exchange Commission (SEC) and shall be submitted at the end of the calendar quarter nearest to the end of the reporting air carrier's fiscal year.

(b) Footnotes included on this schedule shall conform with the requirements of the Securities and Exchange Commission Regulation S-X Article 3 Rules of General Application Rule 3-16 General notes to financial Statements.

(c) To facilitate the submission of this schedule, a photocopy of the footnotes submitted to SEC can be provided in lieu of schedule B-2. This photocopy shall be clearly marked with the air carrier's name and the period for which filed in the upper right corner and should be designated "CAB Form 41 Schedule B-2" in the lower right corner.

C. Revise the title and reporting instructions for schedule B-3 to read:

Schedule B-3—Statement of Changes in Stockholder's Equity

(a) This schedule shall be filed by all route air carriers.

(b) Amounts reported as Balance at end of period for each account shall agree with corresponding amounts reported on Schedule B-1 "Balance Sheet."

(c) Individual proprietors or partners shall reflect the name of the proprietor or each partner at the head of the columns captioned "Class of Stock" and the balance of contributions to the business entity by the proprietor or each partner shall be reflected in these columns. The total contributions by all partners shall be reflected in the column captioned "Additional Capital Invested—Account 2890."

(d) This schedule has been designed to facilitate the presentation of comparative data for prior periods when used in submission to the Securities and Exchange Commission (SEC). (See section 22(k).) Comparative data need not be submitted when this schedule is not used for submission to the SEC. In all instances data for the current period shall be presented in the lower portion of the schedule.

D. Revise the title and paragraph (b) and add a new paragraph (f) to the reporting instructions for schedule B-4 to read:

Schedule B-4—Allowance for Uncollectible Accounts; Accounts with Investor Controlled Companies, Other Associated Companies and Nontransport Divisions

(b) Each allowance for uncollectible accounts shall be separately identified in the indicated section of this schedule. Columns 1 and 2 shall reflect the account number and the description of the asset against which each allowance is provided. The balance of each allowance as at the end of each quarter shall agree with the corresponding amount reported on schedule B-1—Balance Sheet.

(f) The totals reported in column 3 and column 7 "Advances" shall correspond with the amounts reported on schedule B-1 in accounts 1520 Advances to Associated Companies and 2240 Advances from Associated Companies, respectively.

E. Revise paragraphs (f), (g), and (h) of the reporting instructions for schedule B-5 to read:

Schedule B-5—Property and Equipment

(f) Column 6, "Transfers between Other Accounts" shall reflect the cost of assets reclassified as between property and equipment and other balance sheet accounts during the current quarter and identification of the contra-accounts affected by the transfer. Credit transfers shall be indicated by an asterisk (*). The cost of property and equipment and the related balances in allowances for depreciation and airworthiness at the end of each quarter shall agree with corresponding amounts reported on Schedule B-1—Balance Sheet.

(g) Column 8, "Allowance for Depreciation—Regulatory Components" shall include the accumulation of all provisions for losses due to use and obsolescence computed in accordance with such standards as may be or are prescribed for regulatory purposes. Column 9, "Allowance for Depreciation—Other Components" shall reflect the difference be-

tween the amounts in columns 8 and 10 of this schedule. Column 10, "Allowance for Depreciation—Carrier Total" shall include the accumulations of all provisions for losses due to use and obsolescence accrued by carrier management for accounting purposes.

(h) In calculating the "Allowance for Depreciation" any change in the estimated useful lives or in the residual value of depreciable assets shall be effective as of the beginning of the fiscal or calendar period during which the change is adopted.

F. Revise paragraph (j) of the reporting instructions for schedule B-7 to read:

Schedule B-7—Airframes and Aircraft Engines Acquired

(j) Columns 12 and 15, "Allowance for Depreciation" and "Flight Equipment Airworthiness Allowance," respectively, shall include the amount of such allowances applicable to property and equipment transferred from nontransport divisions.

G. Revise paragraph (f) of the reporting instructions for schedule B-7(a) Reinvestment of Flight Equipment Capital Gains to read:

(f) This schedule shall include a separate memorandum summary of the re-equipment funds in account 1550 Special Funds or 1685 Equipment Purchase Deposits and Advance Payments, under benefit of section 406(d) of the Act. The summary shall list the date of sale or other disposition from which the gain was derived and the related balance remaining in account 1550 or 1685.

H. Revise paragraph (i) of the reporting instructions for schedule B-7(b) Flight Equipment Acquired to read:

(i) Column 14, "Allowance for Depreciation" shall include the amount of such allowance applicable to property and equipment transferred from nontransport divisions.

I. Revise paragraphs (f), (g) and (h) of the reporting instructions for schedule B-8 Property and Equipment Retired to read:

(f) Column 10, "Realization" shall reflect the proceeds from disposition, including any insurance proceeds.

(g) Column 12, "Gain or Loss" shall, in aggregate for retirements of all property and equipment together with gain or loss on sale of securities, agree with amounts reflected by the air carrier on schedule P-3 in profit and loss subaccounts 88.5 Capital Gains and Losses—Operating Property and 88.6 Capital Gains and Losses—Other.

(h) Column 13, "Disposition," shall reflect the name of the person or organization to which airframes and aircraft engines are sold or a notation as to the nature of the retirement and the account to which any depreciated cost has been charged if not sold. Items included in accounts 1607, 1608, 1707, and 1708, sold as a part of airframe or aircraft en-

gine sales transactions, shall also be identified by the name of the buyer. Other sales of items included in these accounts shall be reported in a separate group in aggregate for each property account affected, while all ground property dispositions shall be reported in a single aggregate and need not be identified by names of the buyers.

J. Revise paragraphs (d), (f), and (h) of the reporting instructions for schedule B-8(a) to read:

(d) Column 8, "Net Amount of Gain" shall reflect the net of column 5 minus columns 6 and 7.

(f) Columns 10 and 11 shall reflect the date and amount of each gain deposited in a re-equipment fund for reinvestment in flight equipment. Such deposits shall be recorded in account 1550 Special Funds.

(h) This schedule shall include a separate memorandum summary of the re-equipment funds in account 1550 Special Funds, under benefit of section 406(d) of the Act. The summary shall list the date of sale or other disposition from which the gain was derived and the related balance remaining in account 1550.

K. Revise the title of Schedule B-10—Developmental and Preoperating Costs to read:

Schedule B-10—Unamortized Developmental and Preoperating Costs

L. Revise the title and paragraphs (c) and (d) and add a new paragraph (e) to the reporting instructions for schedule B-12 to read:

Schedule B-12—Statement of Changes in Financial Position

(c) In determining working capital generated by operations, net income as reported in item 9899 on Schedule P-1.1 and Schedule P-1.2 shall be increased by expenses not requiring working capital in the current period and shall be decreased by income not generating working capital in the current period such as gains on property retirements and undistributed earnings of subsidiaries. Those items which do not generate working capital in the current period shall be included net on line 6 "Other." If the amount reported on line 6, line 12, or line 18 exceeds 5 percent of the total sources or applications, a footnote shall be added to this schedule disclosing the component amounts.

(d) Generally, all items shall be reported in gross amounts. Items not resulting in net working capital changes such as exchanges of bonds or capital stock for fixed assets shall be reported as a source of working capital from the incurrence of debt or issuance of stock and a concurrent application of working capital for the asset acquisition. Likewise, the conversion of debt for capital stock shall be reported as a source of working capital for capital stock issued

and an application of working capital for the debt retired.

(e) This schedule has been designed to facilitate the presentation of comparative data for prior periods when used in submission to the Securities and Exchange Commission. (See section 22(k).) Comparative data need not be submitted when this schedule is not used for submission to the SEC. In all instances data for the current period shall be presented in the left column.

M. Revise paragraphs (c) and (f) of the reporting instructions for Schedule B-41—Investments Held by, or for the Account of, Respondent to read:

(c) Column 1 shall reflect the name of each associated company (investor controlled and other) and the name of each other than associated company who is the issuer of securities held by the air carrier. This column shall also reflect the name of each other than associated company from which noncurrent notes and accounts receivable are due to the air carrier.

(f) Column 4, "Cost," shall reflect the cost of investments to the carrier. The cost of investments in investor controlled companies, plus the equity in undistributed earnings or losses since acquisition reflected in column 5, "Equity or Book Value," shall agree in aggregate with the corresponding amount in balance sheet subaccount 1510.1 Investments in Investor Controlled Companies. The cost of investments in other associated companies shall agree in total with corresponding amounts reflected in balance sheet subaccount 1510.2 Investments in Other Associated Companies and account 1530 Other Investments and Receivables, respectively.

N. Revise paragraphs (g), (h), (k), and (l) of the reporting instructions for schedule B-43 to read:

(g) Column 9, "Allowance for Depreciation" shall include the accumulations of all provisions for losses due to use and obsolescence as recorded in balance sheet accounts 1611 Allowance for Depreciation—Airframes and 1612 Allowance for Depreciation—Aircraft Engines.

(h) Column 10, "Depreciated Cost" shall reflect Cost (column 8) less Allowance for Depreciation (column 9).

(k) Column 13, "Flight Equipment Airworthiness Allowances or Maintenance Liability" shall include amounts accumulated for owned airframes and aircraft engines in account 1629 Flight Equipment Airworthiness Allowances and amounts accumulated for leased airframes and aircraft engines in accounts 2190 Other Current Liabilities and 2290 Other Noncurrent Liabilities.

(l) Totals for owned operating equipment shall agree with property and equipment accounts 1601 Airframes; 1611 Allowance for Depreciation—Airframes;

1602 Aircraft Engines; 1612 Allowance for Depreciation—Aircraft Engines; and 1629 Flight Equipment Airworthiness Allowances. The airworthiness liabilities for rented equipment included in accounts 2190 Other Current Liabilities and 2290 Other Noncurrent Liabilities shall be shown in column 13.

O. Revise paragraphs (l) and (m) of the reporting instructions for Schedule B-44—Summary of Resources Exchanged with Affiliated Group Members and Other Associated Companies to read:

(l) Column 8 shall reflect the net of any current year adjustments with each company listed in column 1 which pertain to settlements of prior years and which are recorded in asset accounts 1200, 1270, 1510, 1520, or 1890, or liability accounts 2025, 2240, and/or 2290.

(m) Column 9 shall reflect, for each company or other organization, reflected in column 1, the aggregate of the settlements established which should equal the sum of amounts shown in columns 4 and 5 adjusted by the net of amounts shown in columns 6, 7, and 8. The amounts in this column shall conform with the balance of accruals for the year, before liquidation, to accounts 2025, 2240, and/or 2290, with respect to resource acquisitions and accounts 1200, 1270, 1510, 1520, or 1890, with respect to resource dispositions, for each company or other organization, reflected in column 1, and as reflected at year-end in Schedule B-4—Allowance for Uncollectible Accounts; Accounts With Investor Controlled Companies; Other Associated Companies and Nontransport Divisions.

P. Revise the title and paragraph (i) of the reporting instructions for Schedule B-46—Long-Term and Short-Term Non-Trade Debt to read:

Schedule B-46—Long-Term and Short-Term Nontrade Debt.

(i) For route air carriers, the total in column 6 shall reflect the balance outstanding as at the end of the reporting period in account 2210 Long-Term Debt and the total in column 7 the sum of the balances outstanding in accounts 2000 Current Maturities of Long-Term Debt, 2005 Notes Payable—Banks, and 2015 Notes Payable—Others on Schedule B-1.

28. Amend Section 24—Profit and Loss Elements as follows:

A. Revise the titles and reporting instructions to schedules P-1.1 and P-1.2 to read:

Schedule P-1.1—Statement of Operations—Group I Air Carriers.

Schedule P-1.2—Statement of Operations—Group II and Group III Air Carriers.

(a) Schedule P-1.1 shall be filed by each Group I route air carrier and schedule P-1.2 shall be filed by each Group II air carrier and each Group III air carrier.

(b) Separate statements of operation shall be filed for each separate operating

entity of the air carrier and for the overall, or system, operations of the air carrier.

(c) Data reported on this schedule shall conform with the instructions pertaining to profit and loss classifications within this Uniform System of Accounts and Reports.

(d) Data reported in the "12-Months-to-Date" column shall represent for each individual item the sum of amounts reported in the "Quarter" column for the current and next previous three quarters. Data reported in the year-to-date column shall represent, for the first three quarters of the air carrier's fiscal or calendar year, amounts from the beginning of the carrier's fiscal or calendar year to the end of the quarter for which the schedule is being submitted. For the fourth quarter of the air carrier's fiscal or calendar year, the year-to-date column should be used for the comparative presentation of data for the prior year.

(e) Earnings per share data shall be filed on a quarterly basis by those air carriers that are required to file such data with the Securities and Exchange Commission.

(f) This schedule has been designed to facilitate the presentation of comparative data for prior periods when used in submissions to the Securities and Exchange Commission. (See section 22(k).)

B. Revise the reporting instructions to Schedule P-2—Notes to Income Statement by changing the title and instructions to read:

Schedule P-2—Notes to Form 41 Report.

(a) This schedule shall be filed quarterly by all route air carriers.

(b) Separate sets of this schedule shall be filed for each separate operating entity and for the overall or system operations of the air carrier.

(c) All substantive matters which may influence materially interpretations or conclusions in regard to the financial condition or the earnings position of the air carrier which are not clearly identified in the body of the Form 41 report or which represent information that cannot be expressed adequately in monetary terms shall be completely and clearly stated in this schedule and cross-referenced to the affected account or accounts. The informative disclosure on this schedule for the system operations of the air carrier shall conform, at the end of each carrier's fiscal or calendar year, with the footnotes prepared for audited financial statements.

(d) The amounts and estimated delivery dates of any purchase commitments of material size and not of a recurrent routine character shall be explained on this schedule. In the case of commitments involving flight equipment, the amount for each equipment type may be given in total, including any engines, airframes and spares; but the number of airframes and the number of engines by type shall be given, as well as the estimated delivery date for each complete aircraft. Reports on commitments other than for flight equipment are required

only in the December 31 report of each calendar year.

(e) This schedule shall reflect at the end of each calendar quarter amounts reported in balance sheet accounts 1550 Special Funds and 1685 Equipment Purchase Deposits and Advance Payments representing funds segregated, or on deposit with manufacturers, for the purchase of equipment, including any capitalized interest thereon. (See section 2-10 Capitalization of Interest.)

(f) The conversion from the cost method to the equity method of carrying investments in investor controlled companies shall be explained on this schedule. Any change in the basis of accounting for investments in investor controlled companies and other associated companies, (e.g., change from associated to investor controlled company or vice versa) shall be noted here and reported as required by section 22(d).

(g) Each air carrier shall include on this schedule a description of each interruption in air transport operations, the aggregate effect of which is ten (10) percent or more of the scheduled revenue plane-miles which, except for the interruption, would have been operated during the month or either of two consecutive months affected. The information to be reported for each such interruption in operations shall consist of: (1) For the report period in which partial or complete interruption first occurs, the nature of the interruption and dates of partial and/or complete cessation of operations, as applicable; (2) for each report period until full resumption of operations, an estimate of the revenue plane-miles canceled in each month of the quarter because of the interruption; and (3) for the report period in which scheduled operations are resumed, dates of partial and/or complete resumption, as applicable.

(h) Each air carrier having currently effective deferred air freight tariffs on file with the Board shall report information with respect thereto covering the current quarter as follows: (1) Number of shipments enplaned; (2) weight of shipments enplaned (tons to one decimal place); (3) ton-miles carried (000); and (4) revenues earned.

(i) Dividends declared in the current period on stocks of investor controlled companies shall be noted on this schedule.

(j) Revenue from airline employees, officers and directors, or other persons, except for ministers of religion, who are traveling under reduced-rate transportation authorized by section 403(b) of the Federal Aviation Act and Part 223 of the Board's Economic Regulations as well as travel agents, cargo agents and tour conductors traveling at reduced fares (included in Account 3919 on Schedule P-1.1 or P-1.2) and related nonrevenue passenger miles (included in item K160 on Schedule T-1(a)) shall be reported in this schedule on a quarterly basis.

(k) Disclosures presented on Schedule B-2—Notes to Financial Statements need not be duplicated on the Schedule

P-2 submitted during the same quarter.

C. Revise paragraphs (c) and (d) of the reporting instructions of Schedule P-3 to read:

(c) Transport revenues shall reflect the aggregate revenues from each indicated class of traffic carried in both scheduled and nonscheduled services. The sum of the subdivisions of each objective account shall agree with the corresponding amounts reported in Schedule P-1—Statement of Operations. In the event the air carrier performs irregular transport services, in addition to charter and special services and scheduled services, separate sets of this schedule shall be filed for the reporting of scheduled transport services and for nonscheduled transport services, respectively, and the service to which each report applies shall be entered in the box at the head of each of the two amount columns following "Period Ended."

(d) Depreciation and Amortization, and Nonoperating Income and Expense (Net), respectively, shall reflect the indicated detail applicable to the corresponding amounts reported in Schedule P-1—Statement of Operations.

D. Revise the reporting instructions of Schedule P-3(a) to read:

Schedule P-3(a)—Income Taxes.

(a) This schedule shall be filed by all route air carriers.

(b) Separate sets of this schedule shall be filed for each separate operating entity of the air carrier.

(c) Report in accounts 91.1 through 93.2, respectively, the amount for each as reflected in the books of account. Accounts 93.7, 93.8, and 93.9 shall reflect income taxes for the current period, income taxes on extraordinary items, and total income taxes, respectively. Lines 1 through 16 shall reflect a memorandum allocation of income taxes and investment tax credits as between operating profit and loss and nonoperating income and expense (net). Before computing the allocation, operating profit and loss (line 1) and nonoperating profit and loss (line 9) shall be adjusted as indicated for the impact of interest expense (lines 2 and 10). Income taxes on operating income and nonoperating income, thus adjusted, shall be allocated on the basis of the proportion of each to the total and entered on lines 4 and 12, respectively. Investment tax credits allocated to the cost of service and amortizations thereof shall be entered on lines 5 and 6 and those not allocated to the cost of service shall be entered on lines 13 and 14.

E. Revise the reporting instructions for Schedule P-4 by changing the title and revising the text to read:

Schedule P-4—Transport-Related Revenues and Expenses; Explanation of Extraordinary Items and Cumulative Effect of Accounting Changes on Prior Years; Explanation of Dividends Declared.

(a) This schedule shall be filed by all route air carriers.

(b) Separate sets of this schedule shall be filed for each separate operating entity of the air carrier.

(c) Transport-related operations shall be reported in this schedule in conformance with instructions in section 9-4800, Transport-Related Revenues and sections 10-7100 and 11-7100 Transport-Related Expenses.

(d) The amount reported for account 08 Public Service Revenues (Subsidy) and the totals of the transport-related gross revenues and gross expenses reported in accounts 09 through 18 shall agree with the corresponding amounts reported in accounts 4808, 4898, and 7100, respectively, on schedule P-1.

(e) Each extraordinary item shall be fully identified and reported in gross amount in this schedule.

(f) Extraordinary credits to income during the current accounting period shall be identified in positive amounts and any extraordinary debits to income shall be identified by asterisks (*).

(g) Extraordinary items and extraordinary income tax credit and debit items shall be reported separately.

(h) The net of extraordinary items and the net of extraordinary income tax items reported on this schedule shall agree with corresponding amounts reported on schedule P-1.

(i) Prior Period Adjustments and dividends declared shall be fully explained in the bottom section of this schedule. If a dividend is not payable in cash, the values of amounts declared shall be completely described.

F. By revising paragraph (j) of the reporting instructions for Schedule P-12—Fuel Inventories and Consumption to read:

(j) The beginning inventory of this schedule shall be the ending inventory of the prior period. Differences shall be properly annotated and reconciled.

29. Amend Section 32—General Reporting Instructions as follows:

A. By revising the list of reporting schedules in paragraph (a) so that the list in pertinent part reads:

Schedule No.	Schedule title	Filing frequency
B-1	Balance sheet	Quarterly.
B-2	Notes to financial statements	Annually.
B-3	Statement of changes in stockholders' equity	Quarterly.
B-7	Airframes and aircraft engines acquired	Do.
B-8	Unamortized developmental and preoperating costs	Quarterly.
B-10	Ag-ing of receivables	Monthly.
B-11	Statement of changes in financial position	Quarterly.
B-12	Summary of projected financial commitments and related deposits	Do.
B-13		
B-46	Long-term and short-term nontrade debt	Do.
P-1.1	Statement of operations	Quarterly.
P-1.2	Statement of operations	Do.
P-2	Notes to CAB Form 41 report	Do.
P-3.1	Transport revenues	Do.
P-4	Transport-related revenues and expenses; explanation of extraordinary items and cumulative effect of accounting changes on prior years; explanation of prior period adjustments and dividends declared.	Do.
P-5.1	Aircraft operating	Do.

B. By revising the list of "Due Dates of Schedules in CAB Form 41 Report" in paragraph (a) so that the list in pertinent part reads:

Due dates of schedules in CAB Form 41 report	
Due date:	Schedule No.
January 20	P-12, P-12(a).
January 30	B-11, T-3.1, T-6.
February 10	A, B-1, B-7, B-8, B-10, B-12, B-13, B-14, P-1.1, P-1.2, P-2, P-3.1, P-4, P-5.1, P-5.2, P-5(a), P-6, P-7, P-11(a), P-11(b).
February 20	P-12, P-12(a).
March 1	B-11, T-3.1.
March 20	P-12, P-12(a).
March 30	A-2, B-2, B-11, B-41, B-43, B-44, B-46, G-41, G-42, G-43, G-44, T-3.1.
April 20	P-12, P-12(a).
April 30	B-11, T-3.1, T-6.
May 10	A, B-1, B-7, B-8, B-10, B-12, B-13, B-14, P-1.1, P-1.2, P-2, P-3.1, P-4, P-5.1, P-5.2, P-5(a), P-6, P-7, P-11(a), P-11(b).
May 20	P-12, P-12(a).
May 30	B-11, T-3.1.
June 20	P-12, P-12(a).
June 30	B-11, T-3.1.
July 20	P-12, P-12(a).
July 30	B-11, T-3.1, T-6.
August 10	A, A-1, B-1, B-7, B-8, B-10, B-12, B-13, B-14, P-1.1, P-1.2, P-2, P-3.1, P-4, P-5.1, P-5.2, P-5(a), P-6, P-7, P-11(a), P-11(b).
August 20	P-12, P-12(a).
August 30	B-11, T-3.1.
September 20	P-12, P-12(a).
September 30	B-11, T-3.1.
October 20	P-12, P-12(a).
October 30	B-11, T-3.1, T-6.

Due date:¹

	Schedule No.
November 10.....	A, B-1, B-7, B-8, B-10, B-12, B-13, B-14, P-1.1, P-1.2, P-2, P-3.1, P-4, P-5.1, P-5.2, P-5(a), P-6, P-7, P-11(a), P-11(b).
November 20.....	P-12, P-12(a).
November 30.....	B-11, T-3.1.
December 20.....	P-12, P-12(a).
December 30.....	B-11, T-3.1.

¹ Due dates falling on a Saturday, Sunday or national holiday will become effective the first following working day.

² B and P reporting dates are extended to March 30, if preliminary schedules are filed at the Board by February 10.

³ Air carriers reporting to the Securities and Exchange Commission on other than a calendar year basis shall be permitted to submit schedule B-2 90 days after the end of the calendar quarter nearest to end of the reporting carrier's fiscal year.

C. In paragraph (d) subparagraph (2) is deleted and subparagraphs (3) and (7) are revised; paragraph (i) is revised and a new paragraph (k) is added to read:

(d) * * *

(2) (Reserved.)

(3) Procedures for establishment of expense allocation allowances, as prescribed by section 2-13(d).

(7) Procedures for the accrual of obsolescence and deterioration allowances for flight equipment expendable parts, as prescribed by section 6-1311(d).

(i) All changes in accounting methods having a material impact upon the particular financial elements involved and all changes in methods of computing and reporting traffic and capacity statistics having a material impact upon the particular statistics involved shall be adequately explained and identified in the report first reflecting such changes. Such explanations related to financial position or financial results shall be made on schedule P-2 "Notes to CAB Form 41 Report." Changes in methods for computing or reporting traffic and capacity statistics shall be identified and explained on a separate sheet attached to the first report affected. (See sec. 2-16). The reporting requirements shall not be construed, in any sense, as relieving the supplemental air carrier of the responsibility for conforming its procedures to those otherwise prescribed in this system of accounts and reports.

(k) Schedules B-1, B-2, B-3, B-12, P-1.1, and P-1.2 have been designed to permit submission to the Securities and Exchange Commission (SEC) for inclusion in SEC Form 10-K Item 10 for parent company air carriers accounting for subsidiaries using the equity method and other air carriers filing unconsolidated reports. In addition, schedule B-1 has been designed for inclusion in SEC Form 10-Q. The option of submitting these schedules to the SEC shall be available provided that all other SEC reporting and disclosure requirements, such as certification by an independent public accountant, are satisfied when these schedules are included in SEC Form 10-K or 10-Q.

30. Amend Section 33—Certification and Balance Sheet Elements as follows:

A. Revise paragraph (c) and add a new paragraph (d) to the reporting instructions for Schedule B-1 Balance Sheet to read:

(c) Individual proprietors or partners shall report the aggregate capital contributed by the proprietor or partners in account 2890 Additional Capital Invested.

(d) This schedule has been designed to facilitate the presentation of comparative data for prior periods when used in submissions to the Securities and Exchange Commission. (See section 32(k).) Comparative data need not be submitted when this schedule is not used for submission to the SEC. In all instances data for the current period shall be presented in the left column.

B. Revise the title and reporting instructions for schedule B-2.1 to read:

Schedule B-2—General Notes to Financial Statements. (a) This schedule shall be filed annually by supplemental air carriers required to provide such data to the Securities and Exchange Commission (SEC) and shall be submitted at the end of the calendar quarter nearest to the end of the reporting air carrier's fiscal year.

(b) Footnotes included on this schedule shall conform with the requirements of the Securities and Exchange Commission Regulation S-X Article 3 Rules of General Application Rule 3-16 General notes to financial statements.

(c) To facilitate the submission of this schedule, a photocopy of the footnotes submitted to SEC can be provided in lieu of schedule B-2. This photocopy shall be clearly marked with the air carrier's name and the period for which filed in the upper right corner and should be designated "CAB Form 41 Schedule B-2" in the lower right corner.

C. By adding the title and reporting instructions for schedule B-3 to read:

Schedule B-3—Statement of Changes in Stockholder's Equity. (a) This schedule shall be filed by all supplemental air carriers.

(b) Amounts reported as balance at end of period for each account shall agree with corresponding amounts reported on Schedule B-1 "Balance Sheet."

(c) Individual proprietors or partners shall reflect the name of the proprietor or each partner at the head of the columns captioned "Class of Stock" and the balance of contributions to the busi-

ness entity by the proprietor or each partner shall be reflected in these columns. The total contributions by all partners shall be reflected in the column captioned "Additional Capital Invested—Account 2890."

(d) This schedule has been designed to facilitate the presentation of comparative data for prior periods when used in submissions to the Securities and Exchange Commission. (See section 32(k).) Comparative data need not be used for submission to the SEC. In all instances data for the current period shall be presented in the lower portion of the schedule.

D. Revise paragraph (i) of the reporting instructions for schedule B-7 to read:

(i) Columns 12 and 15, "Allowance for Depreciation" and "Flight Equipment Airworthiness Allowance", respectively, shall include the amount of such allowance applicable to property and equipment transferred from nontransport divisions.

E. Revise paragraphs (f) and (g) of the reporting instructions for schedule B-8 to read:

(f) Column 10, "Realization" shall reflect the proceeds from disposition including any insurance proceeds.

(g) Column 13, "Disposition," shall reflect the name of the person or organization to which airframes and aircraft engines are sold or a notation as to the nature of the retirement and the account to which any depreciated cost has been charged if not sold. Items included in accounts 1607, 1608, 1707, and 1708, sold as part of an airframe or aircraft engine sales transaction, shall also be identified by the name of the buyer. Other sales of items included in these accounts shall be reported in a separate group in aggregate for each property account affected, while all ground property dispositions shall be reported in a single aggregate and need not be identified by names of the buyers.

F. Revise the title of the reporting instruction for Schedule B-10 Developmental and Preoperating Costs to read:

Schedule B-10—Unamortized Developmental and Preoperating Costs. G. Revise the title and paragraphs (b) and (c), and add a new paragraph (d) of the reporting instructions for schedule B-12 to read:

Schedule B-12—Statement of Changes in Financial Position

(b) In determining working capital generated by operations, net income as reported in item 9899 on Schedule P-1.1 or Schedule P-1.2 shall be increased by expenses not requiring working capital in the current period and shall be decreased by income not generating working capital in the current period such as gains on property retirements and undistributed earnings of subsidiaries. Those items which do not generate working capital in the current period shall be included net on line 6 "Other." If the amount reported on line 6, line 12, or

line 18 exceeds 5 percent of the total sources or applications, a footnote shall be added to this schedule disclosing the component amounts.

(d) This schedule has been designed to facilitate the presentation of comparative data for prior periods when used in submissions to the Securities and Exchange Commission. (See section 32(k).) Comparative data need not be submitted when this schedule is not used for submission to the SEC. In all instances data for the current period shall be presented in the left column.

H. Revise paragraphs (c) and (f) of the reporting instructions for Schedule B-41—Investments Held by, or for the Account of, Respondent to read:

(c) Column 1 shall reflect the name of each associated company (investor controlled and other) and the name of each other than associated company who is the issuer of securities held by the air carrier. This column shall also reflect the name of each other than associated company from which noncurrent notes and accounts receivable are due to the air carrier.

(f) Column 4 "Cost" shall reflect the cost of investments to the carrier. The cost of investments in investor controlled companies, plus the equity in undistributed earnings or losses since acquisition reflected in column 5, "Equity or Book Value" shall agree in aggregate with the corresponding amount in balance sheet subaccount 1510.1 Investments in Investor Controlled Companies. The cost of investments in other associated companies and other than associated companies shall agree in total with corresponding amounts reflected in balance sheet subaccount 1510.2 Investments in Other Associated Companies and account 1530 Other Investments and Receivables, respectively.

I. Revise paragraphs (e), (f), (i) and (j) of the reporting instructions for schedule B-43 to read:

(e) Column 9, "Allowance for Depreciation" shall include the accumulations of all provisions for losses due to use and obsolescence as recorded in balance sheet account 1669 Allowance for Depreciation.

(f) Column 10, "Depreciated Cost" shall reflect Cost (column 8) less Allowance for Depreciation (column 9).

(i) Column 13, "Flight Equipment Airworthiness Allowances or Maintenance Liability" shall include amounts accumulated for owned airframes and aircraft engines in account 1629 Flight Equipment Airworthiness Allowances and amounts accumulated for leased airframes and aircraft engines in accounts 2190 Other Current Liabilities and 2290 Other Noncurrent Liabilities.

(j) Totals for owned operating equipment shall agree with property and equipment accounts 1601 Airframes; 1611 Allowance for Depreciation—Airframes; 1602 Aircraft Engines; 1612 Al-

lowance for Depreciation—Aircraft Engines; and 1629 Flight Equipment Airworthiness Allowance. The airworthiness liabilities for rented equipment included in accounts 2190 Other Current Liabilities and 2290 Other Noncurrent Liabilities shall be shown in column 13.

J. Revise paragraphs (l) and (m) of the reporting instructions for schedule B-44 to read:

(l) Column 8 shall reflect the net of any current year adjustments with each company listed in column 1 which pertain to settlements of prior years and which are recorded in asset accounts 1200, 1270, 1510, 1520, or 1890; or liability accounts 2025, 2240, and/or 2290.

(m) Column 9 shall reflect, for each company or other organization, reflected in column 1, the aggregate of the settlements established which should equal the sum of amounts shown in columns 4 and 5 adjusted by the net of amounts shown in columns 6, 7, and 8. The amounts in this column shall conform with the balance of accruals for the year, before liquidation, to accounts 2025, 2240, and/or 2290 with respect to resource acquisitions, and accounts 1200, 1270, 1510, 1520 or 1890 with respect to resource dispositions, for each company or other organization, reflected in column 1.

K. Revise the title and paragraph (i) of the reporting instructions for schedule B-46 to read:

Schedule B-46—Long-Term and Short-Term Nontrade Debt

(i) For supplemental air carriers, the total in column 6 shall reflect the balance outstanding as at the end of the reporting period in account 2210 Long-Term Debt and the total in column 7 the sum of the balances outstanding in accounts 2000 Current Maturities of Long-Term Debt, 2005 Notes Payable-Banks, and 2015 Notes Payable-Others on schedule B-1.

31. Amend Section 34—Profit and Loss Elements as follows:

A. Revise the reporting instructions to schedules P-1.1 and P-1.2 to read:

Schedule P-1.1—Statement of Operations—Group I Air Carriers

Schedule P-1.2—Statement of Operations—Group II and Group III Air Carriers

(a) Schedule P-1.1 shall be filed by each Group I supplemental air carrier and schedule P-1.2 shall be filed by each Group II supplemental air carrier.

(b) Data shall be reported only in the column headed "Quarter." Cumulative "12 Months to Date" and "Year to Date" information is not required from supplemental air carriers but is acceptable if the report is used for submission to the Securities and Exchange Commission as explained in section 32(k). The caption "operation" is not applicable to supplemental air carriers.

(c) Data reported on this schedule shall conform with the instructions pertaining to profit and loss classifications within this Uniform System of Accounts and Reports.

(d) Data reported in the "12 Months to Date" column shall represent for each individual item the sum of amounts reported in the "Quarter" column for the current and next previous three quarters.

(e) Earnings per share data shall be filed on a quarterly basis by those air carriers required to file such data with the Securities and Exchange Commission.

(f) This schedule has been designed to facilitate the presentation of comparative data for prior periods when used in submissions to the Securities and Exchange Commission. (See section 32(k).)

B. Revise the reporting instructions to Schedule P-2—Notes to Income Statement by changing the title and instructions to read:

Schedule P-2—Notes to Form 41 Reports. (a) This schedule shall be filed quarterly by all supplemental air carriers.

(b) All substantive matters which may influence materially interpretations or conclusions in regard to the financial condition or the earnings position of the air carrier which are not clearly identified in the body of the Form 41 report or which represent information that cannot be expressed adequately in monetary terms shall be completely and clearly stated in this schedule and cross-referenced to the affected account or accounts. The informative disclosure on this schedule shall conform, at the end of each carrier's fiscal or calendar year, with the footnotes prepared for audited financial statements.

(c) The amounts and estimated delivery dates of any purchase commitments of material size and not of a recurrent routine character shall be explained on this schedule. In the case of commitments involving flight equipment, the amount for each equipment type may be given in total, including any engines, airframes and spares; but the number of airframes and the number of engines by type shall be given, as well as the estimated delivery date for each complete aircraft. Reports on commitments other than for flight equipment are required only in the December 31 report of each calendar year.

(d) The conversion from the cost method to the equity method of carrying investments in investor controlled companies shall be explained on this schedule. Any change in the basis of accounting for investment in investor controlled companies and other associated companies, (e.g., change from associated to investor controlled company or vice versa) shall be noted here and reported as required by section 32(d).

(e) Amounts of adjustments resulting from the physical verification of passenger revenue accounting practices required by section 2-17 shall be reported herein for the quarter in which the adjustment takes place.

(f) Balances in subaccounts 87 and 88.2 of profit and loss account 8100 as reported on the P-1 schedules, together with dividends declared in the current period on the stocks of investor con-

trolled companies, shall be noted on this schedule.

(g) Disclosure presented on Schedule B-2—Notes to Financial Statements need not be duplicated on schedule P-2 submitted during the same quarter.

C. Revise paragraph (d) of the reporting instructions to Schedule P-3.1 Transport Revenues to read:

(d) The sum of the subdivisions of each objective account reported in this schedule shall agree with the corresponding amounts reported in Schedule P-1—Statement of Operations.

D. Revise the reporting instructions for schedule P-4 by changing the title and revising the text to read:

Schedule P4—Transport-Related Revenues and Expenses; Explanation of Extraordinary Items and Cumulative Effect of Accounting Changes on Prior Years; Explanation of Dividends Declared

(a) This schedule shall be filed by all Group II supplemental air carriers.

(b) Transport-related operations shall be reported in this schedule in conformance with instructions in section 9-4800, Transport-Related Revenues and sections 10-7100 and 11-7100 Transport-Related Expenses.

(c) The amounts reported for account 08 Public Service Revenues (Subsidy) and the totals of transport-related gross revenues and gross expenses reported in accounts 09 through 18 shall agree with the corresponding amounts reported in accounts 4808, 4898, and 7100, respectively, on schedule P-1.

(d) Each extraordinary item shall be fully identified and reported in gross amount in this schedule.

(e) Extraordinary credits to income during the current accounting period shall be identified in positive amounts and any extraordinary debits to income shall be identified by asterisks (*).

(f) Extraordinary items and extraordinary income tax credit and debit items shall be reported separately.

(g) The net of extraordinary items and the net of extraordinary tax items reported on this schedule shall agree with corresponding amounts reported on schedule P-1.

(h) Prior period adjustments and dividends declared shall be fully explained in the bottom section of this schedule. If a dividend is not payable in cash, the values of amounts declared shall be completely described.

E. Revise paragraph (j) of the reporting instructions for Schedule P-12—Fuel Inventories and Consumption to read:

(j) The beginning inventory of this schedule shall be the ending inventory of the prior period. Differences shall be properly annotated and reconciled.

32. Amend CAB Form 41 schedules to reflect the foregoing changes in accounting, as shown in the exhibits attached hereto and made a part hereof as follows.*

*CAB Form 41 schedules filed as part of original document.

Schedule No.	Exhibit
B-1	A
B-2	B
B-3	C
B-4(a)	D
B-4(b)	E
B-5	F
B-7	G
B-7(b)	H
B-8	I
B-10	J
B-11	K
B-12	L
B-43	M
B-46	N
P-1.1	O
P-1.2	P
P-1(a)	Q
P-2	R
P-2(a)	S
P-3	T
P-3(a)	U
P-4	V
P-5.1	W
P-5.2	X
P-6	Y
P-7	Z
P-8	AA

(Sections 204(a) and 407 of the Federal Aviation Act of 1958, as amended, 72 Stat. 743 and 766; 49 U.S.C. 1324, 1377.)

By the Civil Aeronautics Board.

PHYLLIS T. KAYLOR,
Secretary.

[FR Doc.76-38458 Filed 12-30-76;8:45 am]

Title 10—Energy

CHAPTER I—NUCLEAR REGULATORY COMMISSION

PART 140—FINANCIAL PROTECTION REQUIREMENTS AND INDEMNITY AGREEMENTS

Implementation of Legislation Amending the Price-Anderson Act

On December 31, 1975, H.R. 8631 was enacted as Pub. L. 94-197. This legislation modifies and extends for ten years (to August 1, 1987) the present Price-Anderson Act.¹ The Price-Anderson Act established a system of Government indemnity and license conditions requiring certain licensees to have financial protection designed to compensate the public for damages caused by nuclear incidents. On March 18, 1976, a notice of intent to amend 10 CFR Part 140 to implement the provisions of Pub. L. 94-197 was published in the FEDERAL REGISTER (41 FR 11327). The purpose of that notice was to invite recommendations in the form of written comments and suggestions from interested persons.

The Commission received a number of comments on the notice. After consideration of the comments and other factors involved, on September 20, 1976, the Commission published a notice of proposed rulemaking in the FEDERAL REGISTER (41 FR 40511) to implement provisions of Pub. L. 94-197. Only thirteen comments were received in response to the proposed rule. Of these comments few differed with the substance of the

proposed rule. Most of the comments raised questions of interpretation or clarification.

1. By December 31, 1976, the Commission must establish at some level in the range of \$2 million to \$5 million, the amount of the retrospective premium to be assessed against each licensee required to maintain financial protection.

The Commission proposed establishing the retrospective premium at \$5 million per facility per incident. Of the thirteen comments received in connection with the proposed rule, only two addressed this issue. One commenter recommended that the retrospective premium be established in the range of \$2 million to \$3 million so as not to impair the ability of utilities to acquire new capital while the other suggested a sliding premium schedule under which the retrospective premium would not reach \$5 million until 1983.

The Commission has considered these comments. When the Commission proposed establishing the retrospective premium at \$5 million, these same concerns were carefully evaluated. To obtain advice on the financial impact that retrospective premiums of \$2 million to \$5 million would have on different size utilities, the Commission staff engaged the services of an outside consultant. Based upon his analysis, Dr. Ronald Melicher, Associate Professor of Business, University of Colorado, concluded that a retrospective premium assessment of \$5 million per reactor would not have a significant financial impact on representative small, medium and large size utilities. By analyzing the cash flow of representative utilities as well as the impact of a \$5 million retrospective premium on interest coverage and earnings per share, Dr. Melicher concluded that the representative utilities studied would have financial resources that would be more than adequate to cover a \$5 million retrospective premium assessment for reactors currently operating, under construction, or being planned. The Commission agreed with Dr. Melicher's conclusions. None of the comments received on this question refuted the conclusions of the Melicher study.

The Commission has concluded that there are considerations that favor establishing the retrospective premium at \$5 million. First, while such a premium would not present any undue financial burden on any size utility, it would ensure the termination of Government indemnity at the earliest feasible date. Further, a \$5 million retrospective premium would result in the maximum financial protection available to pay public liability claims and, therefore, a limit of liability in the event of a nuclear incident at the highest amount permitted by Pub. L. 94-197. For these reasons, the Commission is establishing the retrospective premium at \$5 million per reactor per incident.

2. Pub. L. 94-197 authorized the Commission to establish a maximum amount which the aggregate retrospective premiums charged for each facility within

¹42 U.S.C. 2210 and pertinent subsections in 42 U.S.C. 2014.

one calendar year may not exceed. Congress viewed the establishment of such a maximum as serving to remove retrospective premium assessments as a potential open-ended liability and as providing assurance to publicly owned utilities that retrospective premium assessments would not be construed as the lending of credit prohibited by some state constitutions.

Two of the commenters discussed this question. The comments recommended that based on the remote probability of more than a single nuclear incident occurring in any calendar year the maximum amount be set equal to a single retrospective premium per facility. Further, the comments also expressed the belief that contrary to the interpretation adopted by the Commission, the maximum amount was meant to limit the liability of a utility in a calendar year rather than the total payments for charges made by the insurance pools in a calendar year.

The Commission has considered these arguments. While the Commission agrees that the probability of even a single nuclear incident in a calendar year is quite remote, there is another purpose to be served by setting the maximum amount at more than just equal to one assessment per facility. If a nuclear incident did result in public liability claims, payment of many of these claims would presumably be made within the months following the incident. However, if the incident occurred near the end of the calendar year, a number of claims could be carried over for payment in a subsequent year. Further, since one could reasonably expect that public liability claims could be filed many years after the nuclear incident occurred—especially in view of the Act's provision that, in the event of an extraordinary nuclear occurrence, suits may be brought for up to twenty years after the date on which the incident occurred—this could result in claims being settled many years after the year in which the nuclear incident occurred. In order to ensure that funds would exist to pay all of the delayed claims for an earlier incident, as well as the claims that could arise from a nuclear incident in a given year, it is necessary to establish the maximum amount at greater than just a single retrospective premium per facility.

The Commission does not agree with the interpretation that the purpose of the maximum amount was to limit the liability of the utility to a fixed amount, but believes that its purpose was only to limit the retrospective premiums the utility would be required to pay in any one year. Because each utility would know beforehand the maximum amount of retrospective premiums it would be required to pay in any one calendar year, premium assessments are then prevented from becoming an open-ended charge in any one year. The Commission believes this is the purpose of establishing a maximum amount. The maximum amount does not in any way limit the number of incidents or the liability for these in-

cidents for which a utility may be charged retrospective premiums. For the reasons discussed above, the Commission has concluded that the maximum amount of deferred premiums charged for each facility within one calendar year be established at \$10 million per facility. However, this provision is clarified so as to eliminate any ambiguities present in the proposed rule as to whether the maximum aggregate represented the amount charged the utility or the liability (whether charged in that year or not) accrued by the utility.

3. Pub. L. 94-197 authorizes the Commission to establish amounts less than the standard retrospective premiums for individual facilities on the basis of such factors as the facility's size, location and other factors pertaining to the hazard. In the notice of proposed rule making, the Commission did not propose the establishment of lower retrospective premiums for individual facilities. It did not appear that development of premiums less than the standard retrospective premium would increase the protection provided to the public.

In view of the foregoing and since none of the comments on the proposed rule addressed this question, the Commission is not establishing lower retrospective premiums for individual facilities.

4. The Commission is directed by Pub. L. 94-197 to establish requirements necessary to assure that following a nuclear incident deferred premiums will be paid as called for. One of the comments received on this issue suggested that a separate guarantee of premiums is not necessary because the Commission reviews a licensee's financial stability at various stages of the licensing process. Further, it was stated that the use of any type of guarantee would impede a licensee's line of credit and increase electricity costs. While the Commission recognizes these arguments, the success of the retrospective premium assessment program is dependent upon the likelihood that the retrospective premiums would be available when needed. The Commission believes, therefore, that utilities should provide some form of independent assurance not based on previous statements that they would not default on their obligations.

It was for this reason that the Commission proposed rules which established requirements for such guarantees. A licensee would be afforded the opportunity to meet these guarantee requirements by providing through any one of a number of alternative methods the amount of \$10 million for each large power reactor it would be licensed to operate. The alternatives would be:

1. Surety bonds;
2. Letters of credit;
3. Revolving credit/term loan arrangements;
4. Maintenance of escrow deposits of government securities;
5. Annual certified financial statement showing either that a cash flow (i.e., cash available to a company after all operating expenses, taxes, interest charges, and dividends have been paid) can be generated and

would be available for payment of retrospective premiums within three (3) months after submission of the statement, or a cash reserve or a combination of cash flow and cash reserve; and

6. Such other type of guarantee approved by the Commission.

Two of the comments received in connection with this question suggested that in those cases where as its guarantee a utility chooses to file certified annual financial statements demonstrating the adequacy of cash flow, the Commission not treat dividends as a reduction of cash flow. While on the one hand, the Commission recognizes that creditor claims such as claims for payment of deferred premiums have a clear priority over payment of dividends, the nonpayment of dividends by a utility is an extreme step. Therefore, the Commission believes it desirable to take the more conservative approach of requiring a utility to provide proof of cash flow for \$10 million after dividends have been paid.

None of the comments received that address the issue of guarantees of retrospective premiums point up either the unavailability of any of the guarantees or any problems with the methods of guarantee that the Commission has proposed. In view of the foregoing, the Commission is establishing requirements for such guarantees and licensees will be afforded the opportunity to provide any one of the stated alternative methods for assuring the payment of these premiums. The effective rule is modified slightly, however, to clarify that all methods of guarantee are with respect to \$10 million and not just the cash flow method.

5. Pub. L. 94-197 authorizes the Commission to provide reinsurance or otherwise guarantee the payment of retrospective premiums in the event that the resources of the nuclear liability insurance pools are not sufficient to absorb defaults by licensees in payment of the retrospective premiums and if licensee guarantees fail. In the Commission's notice of proposed rule making, provisions were inserted in indemnity agreements providing that any amount paid by the Commission to cover defaulted retrospective premiums would create an immediate lien in favor of the United States upon the licensee's property. In addition, it was proposed that provisions be inserted in indemnity agreements to require licensees defaulting in the payment of retrospective premiums to provide certified financial statements to the Commission. After reviewing these statements, the Commission would then determine whether a licensee were financially able to reimburse the Commission for payments made on the licensee's behalf. If a determination were made that a licensee was financially able to reimburse the Commission, the licensee would be given 120 days to do so. Any reimbursement not made during this period could result in a thirty-day suspension of the license and possible termination of the license by the Commission.

The Commission continues to believe that these lien provisions offer the greatest assurance of reimbursement for payments made because of any defaults in retrospective premiums. While the creation of liens upon a licensee's assets does not offer absolute assurance of reimbursement to the Commission (since these liens could be subordinate to other creditors' claims), such liens could provide a valuable tool for reimbursement of any Government payment.

The only comment received on this issue suggested that licensees defaulting in the payment of retrospective premiums should be given 180 to 270 days instead of 120 days to reimburse the Commission. The Commission has considered this suggestion, but believes that the additional time for reimbursement is not necessary in view of the fact that a licensee will probably not, in the first instance, be called upon to pay retrospective premiums for some months after a nuclear incident. When this period between the nuclear incident and the call for payment is added to the 120 day period a licensee has in which to pay the defaulted retrospective premiums, sufficient time to repay the Commission is considered to be provided. To extend the period beyond this is not considered reasonable.

6. Pub. L. 94-197 authorized the Commission to reduce the annual indemnity fee of \$30 per thermal megawatt capacity imposed on each reactor licensee in reasonable relation to increases in financial protection required above a level of \$60 million.

The Commission has proposed establishing a five-tiered schedule which both adheres to the intent of Pub. L. 94-197 to reduce fees in reasonable relation to increases in financial protection, and is relatively simple to administer. The schedule also reflects the view that, as ultimate guarantor of the retrospective premium and as evaluator of the financial ability of reactor licensees to pay such retrospective premiums, the Government should levy a minimum fee for such services even if there is no indemnity obligation. No comments were received on this issue.

Therefore, the indemnity fee schedules which the Commission will establish for reactors are as follows:

- (a) For indemnification of \$500 million to \$400 million inclusive, a fee of \$30.00 per year per thousand kilowatts of thermal capacity authorized in the license;
- (b) For indemnification from \$399 million to \$300 million inclusive, a fee of \$24.00 per year per thousand kilowatts of thermal capacity authorized in the license;
- (c) For indemnification from \$299 million to \$200 million inclusive, a fee of \$18.00 per year per thousand kilowatts of thermal capacity authorized in the license;
- (d) For indemnification from \$199 million to \$100 million inclusive, a fee of \$12.00 per year per thousand kilowatts of thermal capacity authorized in the license;
- (e) For indemnification from \$99 million to \$1 million inclusive, a fee of \$6.00 per year per thousand kilowatts of thermal capacity authorized in the license.

No fee would be less than \$100 per annum for any nuclear reactor. This minimum fee would continue to be levied after indemnity is phased out, in consideration of the Government's ultimate role as guarantor of the retrospective premium. For those instances in which a certified financial statement is provided as a guarantee of payment of deferred premiums, a fee of \$1,000 or the indemnity fee, whichever is greater, would be required. This reflects the additional effort that would be required of the Commission to evaluate this guarantee option as opposed to options where third parties are providing the guarantee of payment of the retrospective premium for licensees.

7. The Commission proposed exercising its discretionary authority to require persons licensed to possess plutonium in the amount of 5 kilograms or more¹ and persons licensed to process plutonium in the amount of 1 kilogram or more¹ for use in plutonium processing and fuel fabrication plants to maintain financial protection in the amount of \$125 million. Indemnity coverage would be extended to such licensees.

All three comments received that addressed this issue disagreed with the Commission and recommended that in view of the limited operating experience with these types of commercial facilities the Commission either not establish financial protection requirements for these licensees or establish interim requirements of \$20 million. The Commission has considered these suggestions, but believes that there are definite benefits to be derived by establishing financial protection requirements at \$125 million. First is the basic thrust of the Price-Anderson Act itself—namely, that the public should be assured compensation for damages resulting from those segments of the nuclear industry that may involve significant consequences. With the basic financial protection layer and Government indemnity resulting in a combined coverage of \$560 million, the public would be adequately assured availability of funds for payment of claims resulting from nuclear incidents associated with the possession or use of significant quantities of plutonium at plutonium processing and fuel fabrication plants. Second, several licensees in the plutonium processing and fuel fabrication industry already maintain the maximum amount of financial protection available from private sources (currently \$125 million). Third, the Commission has been advised that those licensees who currently buy less than \$125 million in nuclear insurance would pay a maximum additional premium of less than \$40,000 per year to obtain \$125 million in coverage. The Commission believes that such an additional premium is not unreasonable. In view of the foregoing, the Commission is establishing

¹ Excluding that contained in sealed sources and welded or otherwise sealed unirradiated or irradiated fuel rods.

financial protection requirements of \$125 million for those persons licensed to possess 5 kilograms or more¹ of plutonium and those persons licensed to process 1 kilogram or more¹ of plutonium for use in plutonium processing and fuel fabrication plants. The Commission is also establishing a \$5,000 per year indemnity fee for these licensees. The proposed rule has been modified slightly to clarify that the determining factor with respect to the Commission's requirement that a licensee maintain \$125 million in financial protection and be indemnified by the Commission is the quantity of plutonium that a person is licensed to possess rather than the actual quantity that is currently in the licensee's possession.

The Commission along with other interested persons has recognized that there may be a need to further exercise its discretionary authority to extend Price-Anderson coverage to other materials licensees. The Commission will continue to consider the possible extension of its discretionary authority to such materials licensees.

This rule does not contain any provisions implementing (or interpreting) the amendments to H.R. 8631 introduced by Senator Hathaway, agreed to by the Senate, and contained in Pub. L. 94-197 regarding exclusion of the costs of investigating and settling claims from funds used for the payment of claims.

Although establishment of the retrospective premium and certain other proposed changes in 10 CFR Part 140 must be accomplished by December 31, 1976, the Commission proposes that these changes be made effective on August 1, 1977, so as to afford the Commission, the insurance pools and the licensees reasonable opportunity to implement these changes.

Pursuant to the Atomic Energy Act of 1954, as amended, the Energy Reorganization Act of 1974, as amended, and Sections 552 and 553 of Title 5 of the United States Code, the following amendments to 10 CFR Part 140 are published as a document subject to codification.

1. Section 140.2 is amended by adding a new paragraph (a) (3) to read as follows:

§ 140.2 Scope.

(a) * * *

(3) To each person licensed pursuant to Part 70 of this chapter to possess and use plutonium in a plutonium processing and fuel fabrication plant.

2. In § 140.3, paragraphs (h) through (j) are redesignated as paragraphs (i) through (k), and a new paragraph (h) is added to read as follows:

§ 140.3 Definitions.

(h) "Plutonium processing and fuel fabrication plant" means a plant in

which the following operations or activities are conducted:

(1) Operations for manufacture of reactor fuel containing plutonium, where the license or licenses authorize the possession of either five or more kilograms of plutonium, excluding that contained in sealed sources and welded or otherwise sealed unirradiated or irradiated fuel rods, at the site of the plant or authorize the processing of one or more kilograms of plutonium, excluding that contained in sealed sources and welded or otherwise sealed unirradiated or irradiated fuel rods, at the plant, including any of the following processes: (i) preparation of fuel material; (ii) Formation of fuel material into desired shapes; (iii) Application of protective cladding; (iv) Recovery of scrap material; and (v) Storage associated with such operations; or

(2) Research and development activities involving any of the operations described in paragraph (h) (1) of this section, except for research and development activities where the operator is licensed to possess or use plutonium in amounts less than those specified in paragraph (h) (1).

§ 140.5 [Amended].

§ 140.6 [Amended].

3. In §§ 140.5 and 140.6, the phrase "Director of Nuclear Reactor Regulation" is deleted and the phrase "Director of Nuclear Reactor Regulation or Director of Nuclear Material Safety and Safeguards, as appropriate," is substituted therefor.

4. In § 140.7, paragraph (a) is revised and a new paragraph (c) is added to read as follows:

§ 140.7 Fees.

(a) Each reactor licensee shall pay a fee to the Commission based on the following schedule:

(1) For indemnification from \$500 million to \$400 million inclusive, a fee of \$30 per year per thousand kilowatts of thermal capacity authorized in the license;

(2) For indemnification from \$399 million to \$300 million inclusive, a fee of \$24 per year per thousand kilowatts of thermal capacity authorized in the license;

(3) For indemnification from \$299 million to \$200 million inclusive, a fee of \$18 per year per thousand kilowatts of thermal capacity authorized in the license;

(4) For indemnification from \$199 million to \$100 million inclusive, a fee of \$12 per year per thousand kilowatts of thermal capacity authorized in the license;

(5) For indemnification from \$99 million to \$1 million inclusive, a fee of \$6 per year per thousand kilowatts of thermal capacity authorized in the license.

Provided, however, That no fee shall be less than \$100 per annum for any nuclear reactor. Such fee shall be due for the period beginning with the date on which the applicable indemnity agreement is effective and shall be paid in ac-

cordance with billing instructions received from the Commission. The various levels of indemnity fees are set forth in the schedule in this paragraph. The amount of indemnification for determining indemnity fees will be computed by subtracting from the statutory limit of liability the amount of financial protection required of the licensee. In the case of licensees subject to the provisions of § 140.11(a) (4), this total amount shall be the amount, as determined by the Commission, of the financial protection available to licensees at the close of the calendar year preceding the one in which the fee becomes due. For those instances in which a certified financial statement is provided as a guarantee of payment of deferred premiums in accordance with § 140.21(e), a fee of \$1000 or the indemnity fee, whichever is greater, shall be required.

(c) Each person licensed to possess and use plutonium in a plutonium processing and fuel fabrication plant shall pay to the Commission a fee of \$5,000 per year for indemnification. This fee shall be due for the period beginning with the date on which the applicable indemnity agreement is effective and shall be paid in accordance with billing instructions received from the Commission.

5. Section 140.10 is revised to read as follows:

§ 140.10 Scope.

This subpart applies to applicants for and holders of licenses issued pursuant to Part 50 of this chapter authorizing operation of nuclear reactors, except licenses for the conduct of educational activities issued to, or applied for, by persons found by the Commission to be nonprofit educational institutions and except persons found by the Commission to be Federal agencies. This subpart also applies to persons licensed to possess and use plutonium in a plutonium processing and fuel fabrication plant.

6. In § 140.11, the term "financial protection" is deleted wherever it appears in paragraph (b) and replaced by the term "primary financial protection", and paragraph (a) (4) is revised to read as follows:

§ 140.11 Amounts of financial protection for certain reactors.

(a) * * *

(4) In an amount equal to the sum of \$125,000,000 and the amount available as secondary financial protection (in the form of private liability insurance available under an industry retrospective rating plan providing for deferred premium charges) for each nuclear reactor which is licensed to operate and which is designed for the production of electrical energy and has a rated capacity of 100,000 electrical kilowatts or more: *Provided, however,* that under such a plan for deferred premiums charged for each nuclear reactor which is licensed to operate, no more than \$5 million with respect to any nuclear incident and no

more than \$10 million within one calendar year shall be charged.

7. A new § 140.13a is added to read as follows:

§ 140.13a Amount of financial protection required for plutonium processing and fuel fabrication plants.

(a) Each holder of a license issued pursuant to Part 70 of this chapter to possess and use plutonium at a plutonium processing and fuel fabrication plant is required to have and maintain financial protection in the form specified in § 140.14 in the amount of \$125 million. Proof of financial protection shall be filed with the Commission in the manner in § 140.15 prior to issuance of the license under Part 70 of this chapter.

(b) In any case, when a person is authorized pursuant to Part 70 of this chapter to possess and use plutonium at two or more plutonium processing and fuel fabrication plants at the same location, the total financial protection required of the licensee for all such plants is the highest amount which would otherwise be required for any one of those plants: *Provided, however,* that such financial protection covers all such plants at the location.

8. Section 140.14(a) (2) is revised to read as follows:

§ 140.14 Types of financial protection.

(a) * * *

(2) Adequate resources to provide the financial protection required by § 140.11, § 140.12, § 140.13 or § 140.13a; or

§ 140.18 [Amended].

9. In § 140.18(a), the phrase "Director of Nuclear Reactor Regulation" is deleted and the phrase "Director of Nuclear Reactor Regulation or Director of Nuclear Material Safety and Safeguards, as appropriate" is substituted therefor.

10. Section 140.20 is revised to read as follows:

§ 140.20 Indemnity agreements and liens.

(a) The Commission will execute and issue agreements of indemnity pursuant to the regulations in this part or such other regulations as may be issued by the Commission. Such agreements, as to any licensee, shall be effective on:

(1) (i) The effective date of the license (issued pursuant to Part 50 of this chapter) authorizing the licensee to operate the nuclear reactor involved; or (ii) the effective date of the license (issued pursuant to Part 70 of this chapter) authorizing the licensee to possess and store special nuclear material at the site of the nuclear reactor for use as fuel in operation of the nuclear reactor after issuance of an operating license for the reactor, whichever is earlier. No such agreement, however, shall be effective prior to September 26, 1957; or

(2) August 1, 1977 or the effective date of the license (issued pursuant to Part 70 of this chapter) authorizing the licensee

to possess and use plutonium at the site of the plutonium processing and fuel fabrication plant for processing in that plant, whichever date is later.

(b) If the licensee fails to pay assessed deferred premiums, the Commission reserves the right to pay those premiums on behalf of the licensee and to recover the amount of such premiums from the licensee.

(c) The Commission shall require the immediate submission of financial statements by those licensees who indicate, after an assessment of the retrospective premium by the insurance pools, that they will not pay the assessment. Such financial statements shall include, as a minimum, exhibits indicating internally generated funds from operations and accumulated retained earnings. Subsequent submission of financial statements by such licensees may be requested by the Commission, as required.

(d) If premiums are paid by the Commission as provided in paragraph (b) of this section, payment by the Commission shall create a lien in the amount paid in favor of the United States upon all property and rights to property, whether real or personal, belonging to such licensee. The lien shall arise at the time payment is made by the Commission and shall continue until the liability for the amount (or a judgment against the licensee arising out of such liability) is satisfied or becomes unenforceable. The Commission will issue a certificate of release of any such lien if it finds that the liability for the amount has been fully satisfied or has become legally unenforceable.

(e) If the Commission determines that the licensee is financially able to reimburse the Commission for a deferred premium payment made in its behalf, and the licensee, after notice of such determination by the Commission fails to make such reimbursement within 120 days, the Commission will take appropriate steps to suspend the license for 30 days. The Commission may take such further action as is necessary if reimbursement is not made within the 30-day suspension period including but not limited to termination of the operating license.

(f) (1) (i) The general form of indemnity agreement to be entered into by the Commission with reactor licensees who furnish financial protection in the form of the nuclear energy liability insurance policy set forth in Appendix A is contained in § 140.92, Appendix B. The general form of indemnity agreement to be entered into by the Commission with reactor licensees who furnish financial protection in the form specified in § 140.14(a) (2) is set forth in § 140.93, Appendix C.

(ii) The general form of indemnity agreement to be entered into by the Commission with persons licensed to possess and use plutonium in a plutonium processing and fuel fabrication plant and who furnish financial protection in the form of the nuclear energy liability insurance policy set forth in

Appendix A² is contained in § 140.107, Appendix G. The general form of indemnity agreement to be entered into by the Commission with such licensees who furnish financial protection in the form specified in § 140.14(a) (2) is set forth in § 140.108, Appendix H.

(2) The form of indemnity agreement to be entered into by the Commission with any particular licensee under this subpart shall contain such modifications of the applicable form in §§ 140.92, 140.93, 140.107 and 140.108, Appendices B, C, G and H, as are provided for in applicable licenses, regulations or orders of the Commission.

(3) Each licensee who has executed an indemnity agreement under this subpart shall enter into such agreements amending such indemnity agreement as are required by applicable licenses, regulations, or orders of the Commission.

11. A new § 140.21 is added to read as follows:

§ 140.21 Licensee guarantees of payment of deferred premiums.

Each licensee required to have and maintain financial protection for each nuclear reactor as determined in § 140.11(a) (4) shall at the issuance of the license and annually, on the anniversary of the date on which the indemnity agreement is effective, provide evidence to the Commission that it maintains one of the following types of guarantee of payment of deferred premiums in an amount of \$10 million for each reactor he is licensed to operate:

- (a) Surety bond,
- (b) Letter of credit,
- (c) Revolving credit/term loan arrangement,

(d) Maintenance of escrow deposits of government securities,

(e) Annual certified financial statement showing either that a cash flow (i.e., cash available to a company after all operating expenses, taxes, interest charges, and dividends have been paid) can be generated and would be available for payment of retrospective premiums within three (3) months after submission of the statement, or a cash reserve or a combination of cash flow and cash reserve, or

(f) Such other type of guarantee as may be approved by the Commission.

12. A new § 140.22 is added to read as follows:

§ 140.22 Commission guarantee and reimbursement agreements.

Each licensee required to have and maintain financial protection for each nuclear reactor as determined in § 140.11(a) (4) shall execute an indemnity agreement with the Commission that provides for the payment by the Commission of deferred premiums not paid by the licensee and reimbursement of the Commission by the licensee. The general

² The form of the nuclear energy liability insurance policy for these licensees will be the subject of pertinent endorsements after discussion with the insurance pools.

forms of agreement to be entered into by the Commission and licensees are set forth in § 140.92, Appendix B and § 140.93, Appendix C.

13. A new Article VIII is added in § 140.92, Appendix B, to read as follows:

§ 140.92 Appendix B—Form of indemnity agreement with licensees furnishing insurance policies as proof of financial protection.

ARTICLE VIII

1. If the licensee fails to pay assessed deferred premiums, the Commission reserves the right to pay those premiums on behalf of the licensee and to recover the amount of such premiums from the licensee.

2. The Commission shall require the immediate submission of financial statements by those licensees who indicate, after an assessment of the retrospective premium by the insurance pools, that they will not pay the assessment. Such financial statements shall include, as a minimum, exhibits indicating internally generated funds from operations and accumulated retained earnings. Subsequent submission of financial statements by such licensees may be requested by the Commission, as required.

3. If premiums are paid by the Commission as provided in paragraph 1, payment by the Commission shall create a lien in the amount paid in favor of the United States upon all property and rights to property, whether real or personal, belonging to such licensee. The lien shall arise at the time payment is made by the Commission and shall continue until the liability for the amount (or a judgment against the licensee arising out of such liability) is satisfied or becomes unenforceable. The Commission will issue a certificate of release of any such lien if it finds that the liability for the amount has been fully satisfied or has become legally unenforceable.

4. If the Commission determines that the licensee is financially able to reimburse the Commission for a deferred premium payment made in its behalf, and the licensee, after notice of such determination by the Commission fails to make such reimbursement within 120 days, the Commission will take appropriate steps to suspend the license for 30 days. The Commission may take any further action as necessary if reimbursement is not made within the 30-day suspension period including, but not limited to, termination of the operating license.

14. A new Article VIII is added in § 140.93, Appendix C, to read as follows:

§ 140.93 Appendix C—Form of indemnity agreement with licensees furnishing proof of financial protection in the form of licensee's resources.

ARTICLE VIII

1. If the licensee fails to pay assessed deferred premiums, the Commission reserves the right to pay those premiums on behalf of the licensee and to recover the amount of such premiums from the licensee.

2. The Commission shall require the immediate submission of financial statements by those licensees who indicate, after an assessment of the retrospective premium by the insurance pools, that they will not pay the assessment. Such financial statements shall include, as a minimum, exhibits indicating internally generated funds from operations and accumulated retained earnings. Subse-

quent submission of financial statements by such licensees may be requested by the Commission, as required.

3. If premiums are paid by the Commission as provided in paragraph 1, payment by the Commission shall create a lien in the amount paid in favor of the United States upon all property and rights to property, whether real or personal, belonging to such licensee. The lien shall arise at the time payment is made by the Commission and shall continue until the liability for the amount (or a judgment against the licensee arising out of such liability) is satisfied or becomes unenforceable. The Commission will issue a certificate of release of any such lien if it finds that the liability for the amount has been fully satisfied or has become legally unenforceable.

4. If the Commission determines that the licensee is financially able to reimburse the Commission for a deferred premium payment made in its behalf, and the licensee, after notice of such determination by the Commission fails to make such reimbursement within 120 days, the Commission will take appropriate steps to suspend the license for 30 days. The Commission may take any further action as necessary if reimbursement is not made within the 30-day suspension period including, but not limited to, termination of the operating license.

15. A new section 140.107, Appendix G, is added to read as follows:

§ 140.107 Appendix G—Form of indemnity agreement with licensees processing plutonium for use in plutonium processing and fuel fabrication plants and furnishing insurance policies as proof of financial protection.

This Indemnity Agreement No. _____ is entered into by and between _____ (hereinafter referred to as the "licensee") and the United States Nuclear Regulatory Commission (hereinafter referred to as the "Commission") pursuant to subsection 170c of the Atomic Energy Act of 1954, as amended (hereinafter referred to as "the Act"), and Section 201 of the Energy Reorganization Act of 1974, as amended.

ARTICLE I

As used in this agreement:

1. "Byproduct material," "person," "source material," "special nuclear material," and "extraordinary nuclear occurrence" shall have the meanings given them in the Atomic Energy Act of 1954, as amended, and the regulations issued by the Commission.

2. Except where otherwise specifically provided, "amount of financial protection" means the amount specified in Item 2a and b, of the Attachment annexed hereto as modified by paragraph 6, Article II, with respect to common occurrences.

3. (a) "Nuclear incident" means any occurrence including an extraordinary nuclear occurrence, or series of occurrences at the location or in the course of transportation causing bodily injury, sickness, disease, or death, or loss of or damage to property, or loss of use of property, arising out of or resulting from the radioactive, toxic, explosive, or other hazardous properties of the radioactive material.

(b) Any occurrence, including an extraordinary nuclear occurrence, or series of occurrences causing bodily injury, sickness, disease, or death, or loss of or damage to property, or loss of use of property, arising out of or resulting from the radioactive, toxic, explosive, or other hazardous properties of:

1. The radioactive material discharged or dispersed from the location over a period of days, weeks, months or longer and also arising

out of such properties of other material defined as "the radioactive material" in any other agreement or agreements entered into by the Commission under subsection 170c or k of the Act and so discharged or dispersed from "the location" as defined in any such other agreement, or

2. The radioactive material in the course of transportation and also arising out of such properties of other material defined in any other agreement entered into by the Commission pursuant to subsection 170c or k of the Act as "the radioactive material" and which is in the course of transportation shall be deemed to be a common occurrence. A common occurrence shall be deemed to constitute a single nuclear incident.

4. "In the course of transportation" means in the course of transportation within the United States, or in the course of transportation outside the U.S. territorial limits during transit from one person licensed by the Commission to another person licensed by the Commission, including handling or temporary storage incidental thereto, of the radioactive material to the location or from the location provided that:

(a) With respect to transportation of the radioactive material to the location, such transportation is not by predetermination to be interrupted by the removal of the material from the transporting conveyance for any purpose other than the continuation of such transportation to the location or temporary storage incidental thereto;

(b) The transportation of the radioactive material from the location shall be deemed to end when the radioactive material is removed from the transporting conveyance for any purpose other than the continuation of transportation or temporary storage incidental thereto;

(c) "In the course of transportation" as used in this agreement shall not include transportation of the radioactive material to the location if the material is also "in the course of transportation" from any other "location" as defined in any other agreement entered into by the Commission pursuant to subsection 170c or k of the Act.

5. "Person indemnified" means the licensee and any other person who may be liable for public liability.

6. "Public liability" means any legal liability arising out of or resulting from a nuclear incident, except (1) claims under State or Federal Workmen's Compensation Acts of employees of persons indemnified who are employed (a) at the location or, if the nuclear incident occurs in the course of transportation of the radioactive material, on the transporting vehicle, and (b) in connection with the licensee's possession, use or transfer of the radioactive material; (2) claims arising out of an act of war; and (3) claims for loss of, or damage to, or loss of use of (a) property which is located at the location and used in connection with the licensee's possession, use, or transfer of the radioactive material, and (b) if the nuclear incident occurs in the course of transportation of the radioactive material, the transporting vehicle, containers used in such transportation, and the radioactive material.

7. "The location" means the location described in Item 4 of the Attachment hereto.

8. "The radioactive material" means (a) any source, special nuclear, or byproduct material which (1) is both used or to be used in, or is processed or to be processed by, the licensee's plutonium processing and fuel fabrication plant or plants and is subject to the license or licenses designated in the Attachment hereto, or (2) is produced as the result of the operation of said plant or plants or (b) any source, special nuclear, or byproduct material which is waste or con-

tamination from material described in paragraph 8(a). The words "used or to be used" and "processed or to be processed" in this paragraph cover source, special nuclear or byproduct material which is "in the course of transportation" as used in the agreement or is received at the plant for use or processing in the plant but which is, in fact, for any reason, not so used or processed.

9. "United States" when used in a geographical sense includes all Territories and possessions of the United States, the Canal Zone and Puerto Rico.

ARTICLE II

1. At all times during the term of the license or licenses designated in Item 3 of the Attachment hereto, the licensee will maintain financial protection in the amount specified in Item 2 of the Attachment and in the form of the nuclear energy liability insurance policy designated in the Attachment. If more than one license is designated in Item 3 of the Attachment, the licensee agrees to maintain such financial protection until the end of the term of that license which will be the last to expire. The licensee shall, notwithstanding the expiration, termination, modification, amendment, suspension or revocation of any license or licenses designated in Item 3 of the Attachment, maintain such financial protection in effect until all the radioactive material has been removed from the location and transportation of the radioactive material from the location has ended as defined in subparagraph 4(b), Article I, or until the Commission authorizes the termination or the modification of such financial protection. The Commission will not unreasonably withhold such authorization.

2. In the event of any payment by the insurer or insurers under a policy or policies specified in Item 5 of the Attachment hereto which reduces the aggregate limit of such policy or policies below the amount of financial protection, the licensee will promptly apply to his insurers for reinstatement of the amount specified in Item 2a of the Attachment (without reference to paragraph b of Item 2) and will make all reasonable efforts to obtain such reinstatement. In the event that the licensee has not obtained reinstatement of such amount within ninety days after the date of such reduction, and in the absence of good cause shown to the contrary, the Commission may have an order requiring the licensee to furnish financial protection for such amount in another form.

3. Any obligations of the licensee under subsection 53e(8) of the Act to indemnify the United States and the Commission from public liability, together with any public liability satisfied by the insurers under the policy or policies designated in the Attachment hereto, shall not in the aggregate exceed the amount of financial protection with respect to any nuclear incident, including the reasonable costs of investigating and settling claims and defending suits for damage.

4. The obligations of the licensee under this agreement shall apply only with respect to nuclear incidents occurring during the term of this agreement.

5. Upon the expiration or revocation of any license designated in Item 3 of the Attachment, the Commission will enter into an appropriate amendment of this agreement with the licensee reducing the amount of financial protection required under this Article; provided, that the licensee is then entitled to a reduction in the amount of financial protection under applicable Commission regulations and orders.

6. With respect to any common occurrence, (a) If the sum of the limit of liability of any Nuclear Energy Liability-Property In-

insurance Association policy designated in Item 5 of the Attachment and the limits of liability of all other nuclear energy liability insurance policies (facility form) applicable to such common occurrence and issued by Nuclear Energy Liability-Property Insurance Association exceeds \$96,875,000, the amount of financial protection specified in Item 2 a and b of the Attachment shall be deemed to be reduced by that proportion of the difference between said sum and \$96,875,000 as the limit of liability of the Nuclear Energy Liability-Property Insurance Association policy designated in Item 5 of the Attachment bears to the sum of the limits of liability of all nuclear energy liability insurance policies (facility form) applicable to such common occurrence and issued by Nuclear Energy Liability-Property Insurance Association;

(b) If the sum of the limit of liability of any Mutual Atomic Energy Liability Underwriters policy designated in Item 5 of the Attachment and the limits of liability of all other nuclear energy liability insurance policies (facility form) applicable to such common occurrence and issued by Mutual Atomic Energy Liability Underwriters exceeds \$28,125,000, the amount of financial protection specified in Item 2 a and b of the Attachment shall be deemed to be reduced by that proportion of the difference between said sum and \$28,125,000 as the limit of liability of the Mutual Atomic Energy Liability Underwriters policy designated in Item 5 of the Attachment bears to the sum of the limits of liability of all nuclear energy liability insurance policies (facility form) applicable to such common occurrence and issued by Mutual Atomic Energy Liability Underwriters;

(c) If any of the other applicable agreements is with a person who has furnished financial protection in a form other than a nuclear energy liability insurance policy (facility form) issued by Nuclear Energy Liability-Property Insurance Association or Mutual Atomic Energy Liability Underwriters, and if also the sum of the amount of financial protection established under this agreement and the amounts of financial protection established under all other applicable agreements exceeds \$125,000,000, the obligations of the licensee shall not exceed a greater proportion of \$125,000,000 than the amount of financial protection established under this agreement bears to the sum of such amount and the amounts of financial protection established under all other applicable agreements.

(d) As used in this paragraph 6, Article II and in Article III, "other applicable agreements" means each other agreement entered into by the Commission pursuant to subsection 170c or k of the Act in which agreement the nuclear incident is defined as a "common occurrence." As used in this paragraph 6, Article II, "the obligations of the licensee" means the obligations of the licensee, under subsection 53e(8) of the Act to indemnify the United States and the Commission from public liability, together with any public liability satisfied by the insurers under the policy or policies designated in the Attachment, and the reasonable costs of investigating and settling claims and defending suits for damage.

7. The obligations of the licensee under this Article shall not be affected by any failure or default on the part of the Commission or the Government of the United States to fulfill any or all of its obligations under this agreement. Bankruptcy or insolvency of any person indemnified other than the licensee, or of the estate of any person indemnified other than the licensee, shall not relieve the licensee of any of its obligations hereunder.

ARTICLE III

1. The Commission undertakes and agrees to indemnify and hold harmless the licensee and other persons indemnified, as their interest may appear, from public liability.

2. With respect to damage caused by a nuclear incident to property of any person legally liable for the nuclear incident, the Commission agrees to pay to such person those sums which such person would have been obligated to pay if such property had belonged to another; provided, that the obligation of the Commission under this paragraph 2 does not apply with respect to:

(a) Property which is located at the location described in Item 4 of the Attachment or at the location described in Item 3 of the declarations attached to any nuclear energy liability insurance policy designated in Item 5 of the Attachment;

(b) Property damage due to the neglect of the person indemnified to use all reasonable means to save and preserve the property after knowledge of a nuclear incident;

(c) If the nuclear incident occurs in the course of transportation of the radioactive material, the transporting vehicle and containers used in such transportation;

(d) The radioactive material.

3. The Commission agrees to indemnify and hold harmless the licensee and other persons indemnified as their interest may appear, from the reasonable costs of investigating, settling and defending claims for public liability.

4. (a) The obligations of the Commission under this agreement shall apply only with respect to such public liability, such damage to property of persons legally liable for the nuclear incident (other than such property described in the proviso to paragraph 2 of this Article), and such reasonable costs described in paragraph 3 of this Article as in the aggregate exceed the amount of financial protection.

(b) With respect to a common occurrence, the obligations of the Commission under this agreement shall apply only with respect to such public liability, such damage to property of persons legally liable for the nuclear incident (other than such property described in the proviso to paragraph 2 of this Article), and to such reasonable costs described in paragraph 3 of this Article, as in the aggregate exceed \$125,000,000.

5. The obligations of the Commission under this agreement shall apply only with respect to nuclear incidents occurring during the term of this agreement.

6. The obligations of the Commission under this and all other agreements and contracts to which the Commission is a party shall not, with respect to any nuclear incident, in the aggregate exceed whichever of the following is the lowest: (a) \$500,000,000; (b) \$560,000,000 less the amount of financial protection required under this agreement; or (c) with respect to a common occurrence, \$560,000,000 less the sum of the amounts of financial protection established under this agreement and all other applicable agreements.

7. The obligations of the Commission under this agreement, except to the licensee for damage to property of the licensee, shall not be affected by any failure on the part of the licensee to fulfill its obligations under this agreement. Bankruptcy or insolvency of the licensee or any other person indemnified, or of the estate of the licensee or any other person indemnified, shall not relieve the Commission of any of its obligations hereunder.

ARTICLE IV

1. When the Commission determines that the United States will probably be required to make indemnity payments under the provisions of this agreement, the Commission shall have the right to collaborate with the licensee and other persons indemnified in the settlement and defense of any claim and shall have the right (a) to require the prior approval of the Commission for the settlement or payment of any claim or action asserted against the licensee or other person indemnified for public liability or damage to property of persons legally liable for the nuclear incident which claim or action the licensee or the Commission may be required to indemnify under this agreement; and (b) to appear through the Attorney General of the United States on behalf of the licensee or other person indemnified, take charge of such action and settle or defend any such action. If the settlement or defense of any such action or claim is undertaken by the Commission, the applicant shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

2. Neither this agreement nor any interest therein nor claim thereunder may be assigned or transferred without the approval of the Commission.

ARTICLE V

The parties agree that they will enter into appropriate amendments of this agreement to the extent that such amendments are required pursuant to the Atomic Energy Act of 1954, as amended, or licenses, regulations or orders of the Commission.

ARTICLE VI

The licensee agrees to pay the Commission such fees as are established by the Commission pursuant to regulations or orders of the Commission.

ARTICLE VII

The term of this agreement shall commence as of the date and time specified in Item 6 of the Attachment and shall terminate at the time of expiration of that license specified in Item 3 of the Attachment, which is the last to expire; provided that, except as may otherwise be provided in applicable regulations or orders of the Commission, the term of this agreement shall not terminate until all the radioactive material has been removed from the location and transportation of the radioactive material from the location has ended as defined in paragraph 4(b), Article I. Termination of the term of this agreement shall not affect any obligation of the licensee or the Commission under this agreement with respect to any nuclear incident occurring during the term of this agreement.

UNITED STATES NUCLEAR REGULATORY
COMMISSION
ATTACHMENT
INDEMNITY AGREEMENT No.

Item 1—Licensee.

Item 2—Amount of financial protection. a. b. With respect to any nuclear incident, the amount specified in Item 2a of this Attachment shall be deemed to be (i) reduced to the extent that any payment made by the insurer or insurers under a policy or policies specified in Item 5 of this Attachment reduces the aggregate amount of such insurance policies below the amount specified in Item 2a and (ii) restored to the extent that, following such reduction, the aggregate amount of such insurance policies is reinstated.

Item 3—License number or numbers.
Item 4—Location.
Item 5—Insurance Policy No.(s).
Item 6—The indemnity agreement designated above, of which this Attachment is a part, is effective as of 12:01 a.m., on the _____ day of _____, 19____.
For the U.S. Nuclear Regulatory Commission.

For _____
By _____
Dated at Bethesda, Maryland, the _____ day of _____, 19____.

16. A new section 140.108, Appendix H, is added to read as follows:

§ 140.108 Appendix H—Form of indemnity agreement with licensee possessing plutonium for use in plutonium processing and fuel fabrication plants and furnishing proof of financial protection in the form of the licensee's resources.

This Indemnity Agreement No. _____ is entered into by and between _____ (hereinafter referred to as the "licensee") and the United States Nuclear Regulatory Commission (hereinafter referred to as the "Commission") pursuant to subsection 170c of the Atomic Energy Act of 1954, as amended (hereinafter referred to as "the Act"), and Section 201 of the Energy Reorganization Act of 1974, as amended.

ARTICLE I

As used in this agreement:

1. "Byproduct material," "person," "source material," "special nuclear material," and "extraordinary nuclear occurrence" shall have the meanings given them in the Atomic Energy Act of 1954, as amended, and the regulations issued by the Commission.
2. "Amount of financial protection" means the amount specified in Item 2 of the Attachment annexed hereto.

3.(a) "Nuclear incident" means any occurrence including an extraordinary nuclear occurrence, or series of occurrences at the location or in the course of transportation causing bodily injury, sickness, disease, or death, or loss of or damage to property, or loss of use of property, arising out of or resulting from the radioactive, toxic, explosive, or other hazardous properties of the radioactive material.

(b) Any occurrence, including an extraordinary nuclear occurrence, or series of occurrences causing bodily injury, sickness, disease or death, or loss of or damage to property, or loss of use of property, arising out of or resulting from the radioactive, toxic, explosive, or other hazardous properties of

1. The radioactive material discharged or dispersed from the location over a period of days, weeks, months or longer and also arising out of such properties of other material defined as "the radioactive material" in any other agreement or agreements entered into by the Commission under subsection 170c or k of the Act and so discharged or dispersed from "the location" as defined in any such other agreement, or

2. The radioactive material in the course of transportation and also arising out of such properties of other material defined in any other agreement entered into by the Commission pursuant to subsection 170c or k of the Act as "the radioactive material" and which is in the course of transportation shall be deemed to be a common occurrence. A common occurrence shall be deemed to constitute a single nuclear incident.

4. "In the course of transportation" means in the course of transportation within the United States, or in the course of transportation outside U.S. territorial limits during transit from one person licensed by the Commission to another person licensed by the Commission, including handling or temporary storage incidental thereto, of the radioactive material to the location or from the location provided that:

(a) With respect to transportation of the radioactive material to the location, such transportation is not by predetermination to be interrupted by the removal of the material from the transporting conveyance for any purpose other than the continuation of such transportation to the location or temporary storage incidental thereto;

(b) The transportation of the radioactive material from the location shall be deemed to end when the radioactive material is removed from the transporting conveyance for any purpose other than the continuation of transportation or temporary storage incidental thereto;

(c) "In the course of transportation" as used in this agreement shall not include transportation of the radioactive material to the location if the material is also "in the course of transportation" from any other "location" as defined in any other agreement entered into by the Commission pursuant to subsection 170c or k of the Act.

5. "Person indemnified" means the licensee and any other person who may be liable for public liability.

6. "Public liability" means any legal liability arising out of or resulting from a nuclear incident, except (1) claims under State or Federal Workmen's Compensation Acts of employees of persons indemnified who are employed (a) at the location or, if the nuclear incident occurs in the course of transportation of the radioactive material, on the transporting vehicle, and (b) in connection with the licensee's possession, use or transfer of the radioactive material; (2) claims arising out of an act of war; (3) claims for loss of, or damage to, or loss of use of (a) property which is located at the location and used in connection with the licensee's possession, use, or transfer of the radioactive material, and (b) if the nuclear incident occurs in the course of transportation of the radioactive material, the transporting vehicle, containers used in such transportation, and the radioactive material.

7. "The location" means the location described in Item 4 of the Attachment hereto.

8. "The radioactive material" means (a) any source, special nuclear, or byproduct material which (1) is both used or to be used in, or is processed or to be processed by, the licensee's plutonium processing and fuel fabrication plant or plants and is subject to the license or licenses designated in the Attachment hereto, or (2) is produced as the result of the operation of said plant or plants or (b) any source, special nuclear, or byproduct material which is waste or contamination from material described in paragraph 8(a). The words "used or to be used" and "processed or to be processed" in this paragraph cover source, special nuclear or byproduct material which is "in the course of transportation" as used in the agreement or is received at the plant for use or processing in the plant but which is, in fact, for any reason, not so used or processed.

9. "United States" when used in a geographical sense included all Territories and possessions of the United States, the Canal Zone and Puerto Rico.

ARTICLE II

1. The licensee undertakes and agrees to indemnify and hold harmless all persons indemnified, as their interest may appear, from public liability.

2. With respect to damage caused by a nuclear incident to property of any person legally liable for the incident, the licensee agrees to pay to such person those sums which such person would have been obligated to pay if such property had belonged to another; provided, that the obligation of the licensee under this paragraph 2 does not apply with respect to:

(a) Property which is located at the location and used in connection with the licensee's possession, use or transfer of the radioactive material;

(b) Property damage due to neglect of the person indemnified to use all reasonable means to save and preserve the property after knowledge of a nuclear incident;

(c) If the nuclear incident occurs in the course of transportation of the radioactive material, the transporting vehicle and containers used in such transportation; and

(d) The radioactive material.

3. Any obligations of the licensee under paragraphs 1 and 2 of this Article, and subsection 53c(8) of the Act to indemnify the United States and the Commission from public liability shall not in the aggregate exceed the amount of financial protection with respect to any nuclear incident, including the reasonable costs of investigating and settling claims and defending suits for damage.

4. The obligations of the licensee under this agreement shall apply only with respect to nuclear incidents occurring during the term of this agreement.

5. Upon the expiration or revocation of any license designated in Item 3 of the Attachment, the Commission will enter into an appropriate amendment of this agreement with the licensee reducing the amount of financial protection required under this Article; provided, that the licensee is then entitled to a reduction in the amount of financial protection under applicable Commission regulations and orders.

6. With respect to any common occurrence, if the sum of the amount of financial protection established under this agreement and the amount of financial protection established under all other applicable agreements exceeds \$125,000,000, the obligations of the licensee described in paragraph 3 of this Article shall not exceed a greater proportion of \$125,000,000 than the amount of financial protection established under this agreement bears to the sum of such amount and the amounts of financial protection established under all other applicable agreements. As used in this paragraph, and in Article III, "other applicable agreements" means each other agreement entered into by the Commission pursuant to subsection 170c or k of the Act in which agreement the nuclear incident is defined as a "common occurrence."

7. The obligations of the licensee under this Article shall not be affected by any failure or default on the part of the Commission or the Government of the United States to fulfill any or all of its obligations under this agreement. Bankruptcy or insolvency of any person indemnified other than the licensee, or of the estate of any person indemnified other than the licensee, shall not relieve the licensee of any of its obligations hereunder.

ARTICLE III

1. The Commission undertakes and agrees to indemnify and hold harmless the licensee

and other persons indemnified, as their interest may appear, from public liability.

2. With respect to damage caused by a nuclear incident to property of any person legally liable for the nuclear incident, the Commission agrees to pay to such person those sums which such person would have been obligated to pay if such property had belonged to another; provided, that the obligation of the Commission under this paragraph 2 does not apply with respect to:

(a) Property which is located at the location and used in connection with the licensee's possession, use or transfer of the radioactive material;

(b) Property damage due to the neglect of the person indemnified to use all reasonable means to save and preserve the property after knowledge of a nuclear incident;

(c) If the nuclear incident occurs in the course of transportation of the radioactive material, the transporting vehicle and containers used in such transportation;

(d) The radioactive material.

3. The Commission agrees to indemnify and hold harmless the licensee and other persons indemnified as their interest may appear, from the reasonable costs of investigating, settling and defending claims for public liability.

4. (a) The obligations of the Commission under this agreement shall apply only with respect to such public liability, such damage to property of persons legally liable for the nuclear incident (other than such property described in the proviso to paragraph 2 of this Article), and such reasonable costs described in paragraph 3 of this Article as in the aggregate exceed the amount of financial protection.

(b) With respect to a common occurrence, the obligations of the Commission under this agreement shall apply only with respect to such public liability, such damage to property of persons legally liable for the nuclear incident (other than such property described in the proviso to paragraph 2 of this Article), and to such reasonable costs described in paragraph 3 of this Article, as in the aggregate exceed \$125,000,000.

5. The obligations of the Commission under this agreement shall apply only with respect to nuclear incidents occurring during the term of this agreement.

6. The obligations of the Commission under this and all other agreements and contracts to which the Commission is a party shall not, with respect to any nuclear incident, in the aggregate exceed whichever of the following is the lowest: (a) \$500,000,000; (b) \$560,000,000 less the amount of financial protection required under this agree-

ment; or (c) with respect to a common occurrence, \$560,000,000 less the sum of the amounts of financial protection established under this agreement and all other applicable agreements.

7. The obligations of the Commission under this agreement, except to the licensee for damage to property of the licensee, shall not be affected by any failure on the part of the licensee to fulfill its obligations under this agreement. Bankruptcy or insolvency of the licensee or any other person indemnified, or of the estate of the licensee or any other person indemnified shall not relieve the Commission of any of its obligations hereunder.

ARTICLE IV

1. When the Commission determines that the United States will probably be required to make indemnity payments under the provisions of this agreement, the Commission shall have the right to collaborate with the licensee and other persons indemnified in the settlement and defense of any claim and shall have the right (a) to require the prior approval of the Commission for the settlement or payment of any claim or action asserted against the licensee or other person indemnified for public liability or damage to property of persons legally liable for the nuclear incident which claim or action the licensee or the Commission may be required to indemnify under this agreement; and (b) to appear through the Attorney General of the United States on behalf of the licensee or other person indemnified, take charge of such action and settle or defend any such action. If the settlement or defense of any such action or claim is undertaken by the Commission, the applicant shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

2. Neither this agreement nor any interest therein nor claim thereunder may be assigned or transferred without the approval of the Commission.

ARTICLE V

The parties agree that they will enter into appropriate amendments of this agreement to the extent that such amendments are required pursuant to the Atomic Energy Act of 1954, as amended, or licenses, regulations or orders of the Commission.

ARTICLE VI

The licensee agrees to pay the Commission such fees as are established by the Commission pursuant to regulations or orders of the Commission.

ARTICLE VII

The term of this agreement shall commence as of the date and time specified in Item 5 of the Attachment and shall terminate at the time of expiration of that license specified in Item 3 of the Attachment, which is the last to expire; provided that, except as may otherwise be provided in applicable regulations or orders of the Commission, the term of this agreement shall not terminate until all the radioactive material has been removed from the location and transportation of the radioactive material from the location has ended as defined in paragraph 4(b), Article I. Termination of the term of this agreement shall not affect any obligation of the licensee or the Commission under this agreement with respect to any nuclear incident occurring during the term of this agreement.

UNITED STATES NUCLEAR REGULATORY COMMISSION ATTACHMENT INDEMNITY AGREEMENT NO.

Item 1—Licensee.
Item 2—Amount of financial protection.
Item 3—License number or numbers.
Item 4—Location.
Item 5—The indemnity agreement designated above, of which this Attachment is a part, is effective as of 12:01 a.m., on the ____ day of ____ 19____.
Dated at Bethesda, Maryland, the ____ day of ____ 19____.
For the U.S. Nuclear Regulatory Commission.
For
By _____

Effective date: The foregoing amendments become effective on August 1, 1977.

(Sec. 161, Pub. L. 83-703, 68 Stat. 948 (42 U.S.C. 2201); Sec. 170, Pub. L. 85-256, 71 Stat. 576, Pub. L. 94-197, 89 Stat. 1111 (42 U.S.C. 2210); Sec. 201, Pub. L. 93-438, as amended, 88 Stat. 1242, 89 Stat. 415 (42 U.S.C. 5841).)

Dated at Washington, D.C. this 29th day of December, 1976.

For the Nuclear Regulatory Commission.

SAMUEL J. CHILK,
Secretary of the Commission.

[FR Doc.76-38480 Filed 12-29-76;2:39 am]