

contaminated eggs; and tracked the source of Legionnaire's disease that may have killed as many as eight people and hospitalized dozens more to an air conditioning unit. During his tenure he published nearly 180 scientific papers in the *New England Journal of Medicine*, the *Journal of the American Medical Association*, and other publications. In addition, he contributes to or helps edit 25 medical journals.

Most recently, Mr. Osterholm has been actively engaged in bringing attention to the threat of bioterrorism. Due in part to his diligence, the President recently announced a significant investment in the federal response to a biological attack on the United States. He highlighted the issue at every turn, and made me and others aware of the sorrowful state of our vaccination supplies for potential biological agents that could be used in an attack.

While Mr. Osterholm's departure is a loss for the state Department of Health, I am pleased that he will continue his efforts through a new enterprise he is embarking on in the private sector, and will remain "on call" to the state in times of need. My thanks and best wishes to Mike Osterholm and his wife Barb Colombo, a former Assistant Commissioner of Health, and their children. Your exemplary service to our state and nation is greatly appreciated.

LEGISLATION TO PROHIBIT THE DEPARTMENT OF THE TREASURY FROM ISSUING ANY REGULATIONS DEALING WITH HYBRID TRANSACTIONS UNDER SUBPART F OF THE INTERNAL REVENUE CODE

HON. PHILIP M. CRANE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 10, 1999

Mr. CRANE. Mr. Speaker, joined by my Ways and Means Committee colleague, Mr. MATSUI, I introduced legislation today to prohibit the Department of the Treasury from issuing any regulations dealing with hybrid transactions under Subpart F of the Internal Revenue Code. The bill will further instruct the Secretary of the Treasury to conduct a study of the tax treatment of hybrid transactions and, after receiving input from the public, to submit his findings to the House Committee on Ways and Means and the Senate Committee on Finance.

This legislation is identical to a bill we introduced in the 105th Congress. During the last Congress, most members of the House Ways and Means Committee expressed their concern over the policy changes to Subpart F suggested by Treasury in Notice 98-11. Both Chairman Archer and Ranking Democrat Rangel wrote Secretary Rubin to express their concerns with both the policy changes pursued by Treasury as well as the means by which Treasury implemented the changes. Mr. Matsui and I, along with 31 other Committee members, also wrote Treasury asking them to withdraw the regulations in order for Congress to have an opportunity to review the issues. We hoped that Treasury would do this in consultation with members of our Committee.

The provisions of Subpart F of the Code have a direct impact on the competitiveness of

U.S. businesses operating in the global marketplace. Congress historically has moved carefully when making changes to those sections of the Code relating to international taxation. Unwarranted or injudicious action in these areas can have a substantial adverse impact on U.S. businesses operating abroad.

Treasury issued Notice 98-11 to restrict the use of hybrid entities. After input from Congress and the business community, Treasury issued Notice 98-35, which withdrew Notice 98-11. However, Notice 98-35 still left Treasury with the option of issuing binding rules regarding hybrid transactions. And, although the rules will not be finalized before January 1, 2000, they will be effective for certain payments made on or after June 19, 1998. I am concerned that Treasury's actions, in effect, legislate in this area. Our bill will protect Congress' Constitutional prerogative.

With regard to the policy, I am concerned that the proposed changes would put U.S. companies at a competitive disadvantage in world markets by subjecting them to more taxation by foreign governments. This raises the question as to why the U.S. Treasury Department is so concerned about helping to generate revenue for the coffers of other countries. Furthermore, Notice 98-35, or similar regulations, is at odds with changes Congress recently made to Subpart F in the Taxpayer Relief Act of 1997.

I look forward to further study and input from Treasury on the issue of modifications to Subpart F. However, we must not allow Treasury to implement regulations in this area until Congress determines the appropriate course of action. The bill we introduce today will allow for that judicious process to go forward and I urge my colleagues to join with us by cosponsoring this bill.

INTRODUCTION OF LEGISLATION

HON. JAMES L. OBERSTAR

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 10, 1999

Mr. OBERSTAR. Mr. Speaker, the European Community has proposed regulations that would discriminate against U.S. aircraft and airlines by banning certain aircraft for allegedly creating excessive noise, while not banning European aircraft that are noisier. This proposal is particularly aggravating when we recall that we have allowed British Airways and Air France to fly the Concorde into the United States, even though the Concorde does not meet our environmental noise limits.

To counter the unfairness in Europe toward U.S. aviation, I am introducing legislation today with my colleagues Mr. SHUSTER, Mr. LIPINSKI, and Mr. DUNCAN to ban supersonic aircraft, specifically, the Concorde, from operating in the United States if the European Union ("EU") adopts the proposed regulation that will blatantly discriminate against U.S. aviation products.

The EU proposed regulation, which may be considered by the European Parliament this week, would restrict the use, in Europe, of certain aircraft that have had either a new engine, known as a "re-engined" aircraft, or a hushkit installed to meet the highest current noise standards, called Stage 3 or Chapter 3. The European restriction would only apply to U.S.

aircraft and engines even though, in some cases, they are quieter than their European counterparts that would continue to be operated. If finalized, the proposed regulation could potentially cost American businesses over \$1 billion in spare parts and engine sales; reduce the resale value of over 1600 U.S. aircraft; and cause severe financial losses for hushkit manufacturers, all of which are U.S. companies.

The EU portrays its action as one to promote higher environmental standards. However, this claim has no basis in scientific or technical fact. "Hushkits" have been used for close to 15 years as an appropriate measure to quiet existing aircraft, first to meet the Chapter 2 standards and, since 1989, to meet the International Civil Aviation Organization's ("ICAO") Chapter 3 standards. In addition, the EU regulation would not be applied consistently to re-engined aircraft. The regulation would ban only those engines with a by-pass ratio of less than 3. Engines with a higher by-pass ratio would be allowed, even though an engine's by-pass ratio has no direct correlation to the noise it produces.

As a practical matter, this cut-off would tend to ban the use of U.S. manufactured engines and allow the use of European manufactured engines. A comparison of the cumulative noise between a Boeing 727-200 (re-engined with a Pratt & Whitney JT8D-217C/15) and an Airbus A300B4-200 (equipped with a CF6-50C2 engine) underscores this point. The re-engined B727, with engines having a by-pass ratio of less than 3, has a better cumulative noise performance standard of 288.8 decibels, as compared to the Airbus' 293.3 decibels. Yet the Boeing would be banned and the Airbus would continue to fly.

A further, important consideration: the proposal's adoption would deal a severe, long-term blow to the environment because it would undermine the ability of the international community to agree to, and enforce, new and improved noise standards in the future.

Banning Concorde flights to and from the United States will have positive environmental benefits. According to a preliminary analysis from the FAA, such a prohibition will reduce the noise footprint around New York's John F. Kennedy International Airport by at least 20 percent. The Concorde aircraft has enjoyed a waiver from noise standards for over 20 years even though it does not meet Stage 2 noise standards. We in the U.S. have been very tolerant of and cooperative with the Concorde. I am willing to continue cooperating and allow continuation of this waiver, but only if the EU drops this outrageous proposal.

The Administration has seen through this thinly-veiled attempt to give a competitive advantage to EU aircraft and engine manufacturers. Transportation Secretary Slater, Undersecretary for International Trade Aaron, and U.S. Trade Representative Barshefsky have already tried to persuade to the EU Commission to defer action on this issue, and instead refer it to the proper forum—ICAO. These requests have been rejected. We must now make it clear to the EU that their initiative cannot proceed without severe consequences. Banning the Concorde is only the first step. I am committed to additional actions, including discussing the issue directly with the EU Parliament or Commission, if necessary.

The EU proposal is bad environmental policy and bad for American businesses. If we