Aerospace States Association (ASA)

"FAA Reauthorization and Funding

Hearing held in House Rayburn Building

Tuesday, March 13, 2007

Testimony by Congressional and Administration:

Opening Remarks – Lt Governor Brian Dubie, Vermont – Chairman ASA

Honorable Thomas E. Petri – Ranking Member, House Subcommittee on Aviation
Mr. Dan Elwell, - Assistant Administrator of Aviation Policy, Planning, and Environment, Federal Aviation Administration
Honorable Mary Fallin - Member, House Committee on Transportation & Infrastructure
Honorable John Mica - Ranking Member, House Committee on Transportation & Infrastructure (Testimony not presently available)

Testimony by Industry:

Mr. James C. May – President and CEO, Air Transport Association (ATA)
Mr. Todd Hauptli – Senior Executive VP, American Association of Airport Executives (AAAE) and Airport Legislative Alliance (ALA)
Mr. Edward M. Bolen – President, National Business Aviation Association (NBAA)
Mr. Roger Cohen – President, Regional Airline Association (RAA)
Mr. James K. Coyne – President, National Air Transportation Association
Mr. Henry Ogrodzinski – President and CEO, National Association of Sate Aviation Officials (NSAO)

The Aerospace States Association

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9:00 Opening Remarks:

Good morning. We are hear today to bring together members of Congress, the FAA, and Industry Association leaders to hear the issues surrounding the transformation to the next generation aviation system that are contained in the FAA Reauthorization proposal. There has been a lot of public debate on how the aviation system should be funded…. The public discussion seems to have become polarized. ASA hopes that it can be helpful to the Congress' deliberations by bring the interested parties together in an impartial forum to search for solutions. The States are the end users of the FAA's services, so it is critical that we understand all the issues involved in keeping the existing aviation system functioning safely and efficiently while we transition to the next generation system. The results of this hearing will be a resolution to Congressional leaders on behalf of the states.

I would like to take this opportunity for each of our members and delegates to introduce themselves.

9:05 Congressional Members

We will begin by hearing from members of Congress. Congressman Mica is first on our agenda, but we have learned that he will not be able to join us until later. We will, therefore begin with Congressman Thomas Petri, Ranking Member of the House Subcommittee on Aviation.

The Honorable John Mica, Ranking Member, House Committee on Transportation & Infrastructure
The Honorable Thomas E. Petri, Ranking Member, House Subcommittee on Aviation
The Honorable Mary Fallin, Member, House Committee on Transportation & Infrastructure

9:35 Administration

Mr. Dan Elwell, Assistant Administrator of Aviation Policy, Planning, and Environment, Federal Aviation Administration

10:15 Industry

Mr. James C. May, President and CEO, Air Transport Association
Mr. Charles Barclay, President, American Association of Airport Executives
Mr. Edward M. Bolen, President, National Business Aviation Association
Mr. Roger Cohen, President, Regional Airline Association
Mr. James K. Coyne, President, National Air Transportation Association

Mr. Henry Ogrodzinski, President and CEO, National Association of State Aviation Officials

10:45 Discussion Between Delegates and Panel

12:00 Closed Session to Discuss ASA Resolution

Q&A

- **The Congress has called for the creation of a Joint Planning and Development Organization (JPDO) to bring together all government agencies efforts to design and implement the "Next Generation Aviation System". How does the administrations reauthorization proposal address the interrelationship with other government agencies.**
- **The Administration reauthorization proposal calls for changes to the way FAA funds the aviation system. These changes are proposed to be necessary to transform the aviation system to the "Next Generation Aviation System". What is it about the next generation system that requires these changes? Are other government agencies going to be asking for similar funding authority?**
- **The Joint Planning and Development Office has recently proposed a "Concept of Operations" for the next generation aviation system. Is there a system design for the Next Generation Aviation System and do we know the costs and timing required?**
- **We hear the discussion of User Fees or no User Fees. Are there any alternatives that should be considered?**
- **How can ASA and State Government be helpful in transforming the aviation system?**

MR. PETRI'S STATEMENT
BEFORE THE AEROSPACE STATES ASSOCIATION

MARCH 13, 2007, 9:00 AM

2325 RAYBURN HOB

Good morning and thank you for inviting me here today. I look forward to hearing what the other participants have to say about the current FAA reauthorization just getting underway.

From the House Aviation Subcommittee perspective, March and April are going to be very busy months. Currently, we have five Reauthorization hearings scheduled.

We will start off the series of hearings tomorrow, with the Administrator of the Federal Aviation Administration (FAA), Marion Blakey.

The first hearing will give the Administrator the opportunity to explain the Administration's reauthorization proposal and highlight some of the key provisions.

Next week we will have two hearings. On March 21st, the Subcommittee will hear testimony on the ways to finance the Nation's Aviation System and the much needed air traffic control modernization programs. On March 22nd, we will hear from panelists on FAA safety programs.

We will finish up the "March Madness" with a hearing on March 28th, when the Aviation Subcommittee will hear from witnesses testifying about the Airport Improvement Program and other airport issues.

Finally, Chairman Costello plans to have a hearing in April that will focus on the Essential Air Service and Small Community Service Programs. Like I said, we'll be busy.

I'd like to turn now to several issues that I believe will be of the utmost importance as we begin to consider the FAA reauthorization this year. The biggest change contained in the FAA's proposed legislation is the proposal to shift the FAA's revenue sources from the current assortment of excise taxes to a combination of fuel taxes for general aviation and cost-based user fees for commercial operators. The new system is intended to better align system costs with system usage.

With the expiration of the current tax structure set for September 30th of this year, we must carefully consider all funding options available to best provide for the safety and efficiency of the National Airspace System.

I look forward to hearing from Administrator Blakey tomorrow, as well as the witnesses participating in the Financing hearing on March 21st. Their testimony will assist the Subcommittee as we consider the best way forward.

Another major part of this year's reauthorization is the modernization of our air traffic control system. Experts project that air traffic could triple in volume by 2026. Our current system would be unable to handle such an increase in demand. Modernization is going to have to start now.

This is the plain and honest truth. No matter how we finance the system, we had better tackle the issue of modernization and get a very clear picture of just what the Next Generation System, or NextGen, will look like.

For modernization to be successful, development and deployment of cutting edge technologies and performance standards must not be delayed.

NextGen involves a major redesign of the air transportation system that will move much of the existing air traffic control infrastructure from Earth to sky.

The main idea is to replace antiquated, costly ground infrastructure with orbiting satellites, on-board automation and digital, data-link communications.

Perhaps the biggest concern with NextGen is the capital cost associated with integrating it into the National Airspace System.

Estimates for the infrastructure alone range from $16 billion to $21 billion, but the cost borne by the consumers and the government, if you factor in the price tag for avionics equipage, rises as high as $31 billion.

The system is enormously expensive and complex but, regardless of the cost, the NextGen system is going to be needed, and we must ensure that the financial resources are sufficient to cover the costs.

According to the Joint Planning and Development Office, by the year 2020 the cost to our economy of *not* implementing NextGen would reach $30 billion per year. We simply cannot put ourselves in that position.

Finally, as we all know, the FAA reauthorization bill is a chance for Congress to review all of the FAA's safety and infrastructure funding programs and to make any necessary changes. The FAA has already made a number of proposed programmatic changes. Other interested parties, such as your Association, will also be weighing in with suggestions.

As Ranking Member of the Aviation Subcommittee, I will be actively participating in the FAA reauthorization process and working closely with my colleagues to ensure that the best possible legislation is achieved.

I want to thank you for having me speak before you today and giving me the opportunity to highlight some of the upcoming FAA Reauthorization issues.

I would be happy to answer any questions you may have and more importantly get your views on these issues. I look forward to working with you and with your Association. Thank you.

FAA Funding Reform
Remarks by Dan Elwell
Aerospace States Association Forum on
FAA Reauthorization

March 13, 2007

Good morning. I'd like to thank the Aerospace States Association (ASA) and Lt. Governor Brian Dubie of Vermont for the opportunity to speak to you today about the FAA's Next Generation Air Transportation System Financing Reform Act of 2007.

Why changes are needed

Why are we making all the changes I am about to describe? There are four main reasons:

First, the National Airspace System needs to be transformed from a ground-based navigation system to a net-centric, satellite-based system. The current system is not scalable to accommodate forecasted demand. As this system ages, the cost to maintain it will increase without any capacity gains. In order to build The Next Generation Air Transportation System, or, NextGen, we need to transform our antiquated financing structure to a cost-based regime that aligns what we collect with what we spend.

Second, the current financing and program authority expire in September of this year and our uncommitted Trust Fund balance will only carry us for two months. We jeopardize many of our programs if we let the system lapse without replacing it.

Third, the current tax structure is not aligned with FAA service costs. Falling ticket prices could mean lower revenues even as increasing numbers of small jets would increase our workload. In other words, revenue and workload may diverge, thereby reducing the reliability of our financing mechanisms. Also, what users pay do not reflect the costs they generate, so, for instance, passengers flying on a commercial airliner ultimately pay more than their fare share, while General Aviation users pay less.

Fourth, outdated regulations and airport grant funding formulas interfere with the ability to meet national capital investment priorities for airports.

This is the safest period in the history of aviation, and the President's 2008 budget provides the framework to keep it that way. We strongly believe the budget and the reauthorization proposals released in February are how we'll realize NextGen. The current financing structure will not allow us to do that as quickly and efficiently as we need to.

So how does this impact the states? Well, let me talk a little about what's most important to you and why change is necessary.

Modernization & ADS-B

First, we must transform the National Airspace System (NAS) in order to achieve the NextGen's goals. The existing system is already near gridlock, and it is not scalable to handle predicted air traffic increases over the next two decades. We must build NextGen to keep

aviation healthy in the U.S. This plan will enable us to move two times today's air traffic, with virtually no increase in manpower.

New technologies will keep our air traffic system the safest and most efficient in the world. In 2006, we handled almost 13 million commercial flights carrying approximately 750 million passengers. Transforming our system will allow us to handle 15 million commercial flights and one billion passengers by 2015. In addition, we will be able to accommodate heavy increases in regional carrier and very light jet operations.

The touchstone technology for NextGen is Automatic Dependent Surveillance-Broadcast (ADS-B), which will permit more efficient control of air traffic and safer aircraft operations in adverse weather conditions or difficult flying environments.

One provision in our proposal will authorize a pilot program for non-Federal ownership and maintenance of ADS-B facilities. This means states, metro planning agencies, and consortiums of two or more local or state governments can buy and run this technology. Our plan will be funded by a 90% Federal share; will provide benefits to any type of public use airport; and is written to promote contracting flexibility for more efficient acquisition.

Airport Improvement Program (AIP)

We are also proposing dramatic changes to the Grants-in-Aid program for airports – AIP. Our changes will keep AIP funds flowing to the airports that need it most. We will bring the non-primary entitlement program to a new level, and allow it to function as a strategic investment tool.

The AIP and PFC programs are being reformed and simplified. Our proposal empowers local airports with strong local revenue sources, and strategically targets federal dollars, making them available to the airports most in need.

Our $2.75 billion AIP request -- when combined with programmatic changes to AIP and the PFC program -- will provide the financial resources needed to meet the nation's highest priorities for safety and security: like upgrading runway safety areas and mitigating runway incursions; funding current and future letters of intent for capacity projects at commercial airports; preserving existing airfield infrastructure and advancing compliance with airport standards.

We plan to allow all airports with passenger enplanements to raise their Passenger Facility Charge from the current maximum of $4.50 to $6.00. PFCs have not been raised since 2000. Inflation and construction cost increases have eroded much of the PFC value. This increase is vital to allow airports to have a stable, local source of revenue for capital improvements. At the same time, we will phase out passenger entitlements for the largest 70 or so airports in our system – the large and medium hubs -- but will preserve discretionary funding for these airports. These airports simply have a greater capacity to finance their own capital needs and an increased PFC revenue should more than make up the difference.

For all other primary airports (a commercial airport performing more than 10,000 passenger boardings per year), we will create a more reliable funding stream by eliminating the trigger that cuts entitlements in half whenever AIP is below $3.2 billion.

Our proposal establishes a separate state apportionment fund with a minimum financing level of $300 million. We are replacing the current entitlement program that gives $150,000 per airport regardless of size or need, with a tiered system. This new design will give the largest and busiest airports $400,000 a year, and then step down the entitlements based on the size of the airport. The smallest airports will still be able to fund airport improvements with state apportionment and discretionary funds at an enhanced 95% federal share.

Passenger Facility Charge (PFC)

As I just mentioned, we are making important changes to the PFC program. We propose increasing the PFC cap to $6.00 and phasing out AIP funding to medium and large hub airports. This move will free up AIP money to fund new technologies at smaller airports. We are also broadly expanding the eligibility of PFCs. Under our plan an airport will be able to use its increased PFC revenue to fund any capital improvement on the airport, as long as it is procompetitive. We are also streamlining the PFC application and approval process, a move that recognizes the inherently local nature of PFC funds.

Environment

Now I'd like to talk a bit about what we're doing in the area of environmental stewardship. We need to step up our efforts to reduce environmental impacts so that they do not constrain the needed growth of the aviation system. We're proposing provisions to make aviation quieter, cleaner, and more energy efficient. We want to bring new technologies, operational innovations, and other capabilities on line that will provide increasing benefits in future years for NextGen. We cover the full range of environmental concerns—from local noise, air and water quality, and deicing issues -- to newer alternative fuels and climate effects issues. We are continuing the environmental streamlining provisions in Vision 100, plus clarifying that airport projects administered by states under the State Block Grant Program will not be subject to duplicative FAA environmental management.

As we move forward as an agency, FAA facilities will have a softer environmental impact on our neighborhoods and communities. Our facilities will become more energy efficient, conserve more water, and rely more on renewable energy resources in accordance with new Executive Order 13423, "Strengthening Federal Environmental, Energy, and Transportation Management."

General Aviation and Small Community Service

Our proposal also addresses the needs of the nation's vital general aviation community and its contribution to the health of the system. General aviation will increase its contribution to the NAS. We have proposed raising fuel taxes by approximately $0.50 per gallon. Now, I know this may seem high, but it's important to keep it in perspective. Federal fuel taxes currently average approximately 1.5% of the cost to own and operate a GA plane. Under the Administration's proposal the average federal tax burden would rise to just under 5% of total operating costs. (This is similar to the federal fuel tax as a percentage of operating costs for automobiles.) In other words, total operating costs would increase roughly 3%.

Currently, the GA fuel tax contributes approximately 3 percent into the Aviation Trust Fund, but GA activity accounts for 16 percent of the cost to operate the system. Our proposal would

increase GA's share to 11% (10% from jets and other high performance aircraft and 1% from piston users) -- which is still well below their share of the costs. This is because our proposal has the general fund paying for the costs of towers at airports with less than 100,000 commercial enplanements -- towers primarily used by our GA community.

General aviation will continue to pay a fuel tax but will not be subject to individual fees for air traffic services, unless a GA user chooses to land at one of the nation's 30 largest commercial hub airports. Again…I repeat…GA users will not be charged any fees for air traffic control or related services unless they land at one of the nation's thirty busiest commercial airports.

Now let's talk a bit about something of great importance to states -- small community air service. Our legislative initiatives in this area are specifically structured to avoid harming GA airports or small communities.

We have built several small community protections into our proposal. I've already talked about a few of these….they include general fund allocations to airports with fewer than 100,000 commercial enplanements per year; restructuring of the small airport fund; more entitlements through AIP and PFC reform; the establishment of a $300 million minimum state apportionment; and continued funding of the Essential Air Service program. Over the next ten years, we can expect the small aircraft industry to expand dramatically—including increased regional airline service and the growth of the light jet sector.

Conclusion

We have worked hard on this proposal for almost two years. We solicited and carefully considered the views of all our customers and stakeholders. We believe the Next Generation Air Transportation System Financing Reform Act provides fair treatment and a viable basis for addressing the challenge that everyone agrees must be addressed: the need to transform our air transportation system to meet the needs of the 21st Century and beyond. We urge all to give it a fair hearing. Thanks for listening.

I will be happy to answer any questions.

Honorable Mary Fallin
Statement before the Aerospace States Association
March 13, 2007 - Rayburn HOB

I'd like to begin by thanking everyone for coming to the Capitol today. The Aerospace State's Association is a great organization that gives each member state an opportunity to bring the best ideas and innovations to our nation's capitol. And ASA brings current aerospace related information and trends back home to the states.

As a former Lieutenant Governor and former chairman of the Aerospace State's Association, I am very proud to welcome you to Washington, D.C.

As a freshmen member of Congress, I am proud to serve on the Transportation and Infrastructure committee and the subcommittee on Aviation. And I appreciate the opportunity to speak to you today on the Federal Aviation Administration's proposed reauthorization.

Federal policies are not made in a vacuum – we in Congress want to hear your concerns about this issue and to make policies that serve the interests of our individual states, as well as the nation.

The ASA plays an invaluable role in making that happen. The 535 members of Congress are here to serve our constituents and their interests. But Washington is a long way from home for many of us, and you play a vital role in keeping us focused on what the folks back home want and need.

The people in this room come from all over the country, and we all have different interests and different politics. But where the FAA is concerned, we should all be able to agree on two things: this country needs a safe, modern and effective aircraft control system, and we need to finance that system in a way that is both reasonable and fair.

We should be very proud of our nation's aviation system. I believe it is the finest in the world. It is certainly very important to our economy. We have worked hard over many decades to form partnerships between local, state and federal governments along with aviation professionals in both the public and private sectors. And our nation has strived to build a highly trained aviation workforce, so we can enjoy the benefits of a safe and efficient transportation system.

With that said, the need for a next generation air transportation system is clear. The FAA is currently using equipment designed during the World War II era – radar tracking, land based infrastructure and analog radios. But the world of aviation is moving quickly, and it is producing a noticeable strain on our more primitive air traffic control technology.

Regional jets, more point to point service, and cutting edge unmanned aerial systems are taking to the skies in greater and greater numbers. And while airlines carried around 740 million passengers in 2005, they are expected to carry over 1 billion in 2015. All of this means that a systems upgrade is inevitable in order to avoid disruptions in air travel that would jeopardize both public safety and the economy.

With increased numbers of passengers and aircraft, new technological capabilities, and every changing safety concerns, it is important for our nation to look towards the future and develop a major new, modernized air transportation system.

The good news is that we know how to fix the problem. By moving away from ground based radar systems to satellite systems that function like a GPS, we can develop a more efficient and loss costly method of air-traffic control, capable of monitoring significantly more traffic. This is what the FAA has proposed – the creation of next generation air traffic control system.

The Joint Planning and Development Office, which combines the expertise and resources of the FAA, The Department of Transportation, Defense, Commerce, Homeland Security, NASA and the White house is working as we speak to develop a blueprint for completely transforming the National Airspace System by 2025.

The catch, of course, is how we get there and who gets to foot the bill. As you have all heard today, the FAA has proposed a rather dramatic restructuring of their financing. The FAA currently finances itself through an excise tax on airline tickets and a fuel tax. The new system would significantly raise the tax on fuel and replace the ticket tax with a new system of user fees.

According to the FAA, this new system was proposed for two reasons. The first is stability. If the airline industry experiences a drought in commercial travel, there are less tickets sold and thus less to tax. But user fees don't tax passengers, they tax flights, and the number of flights is far more consistent than the number of passengers in the sky.

The second reason is equity. Under the current system, public airlines foot the vast majority of the FAA's bill. General Aviation pays a smaller percentage of their costs in fuel taxes and in ticket taxes, so the big airlines feel they are pulling more weight than they should.

The proposed funding method would increase costs for General Aviation and decrease them for commercial airlines – this proposal has clear winners and losers. Organizations representing General Aviation have vociferously opposed this plan. They argue that it is unfair to target their groups with additional taxes and argue, correctly, that they make up only 3% of the traffic at the nation's largest airports. General aviation flyers enjoy their current arrangement, where they pay their taxes at the fuel pump and avoid dealing with any IRS-like branch of the FAA trying to collect user fees. The present system, in their eyes, is working. If the FAA needs more revenue for its modernization efforts, they should look elsewhere.

The economic consequences of the FAA's new financing scheme are hard to predict. It would certainly, for instance, man an increase in costs for corporate jets and general aviation, which in turn would mean an increase in overall costs for some businesses and individuals. In many cases, those extra costs would be easily absorbed. In others, they might present an insurmountable obstacle to air travel, which in turn could harm the economy.

The FAA's plan may also affect each state and region differently. I have spent a large portion of my career fighting to make Oklahoma City and attractive location for businesses, so that we have the kind of job opportunities and economic growth that we need. We're an up and coming city, and we need to give business a reason to come to us. Any plan that taxes businesses or individuals too heavily will get more than a close look at from me.

With that said, it is clear to me that we have two responsibilities when considering the FAA's reauthorization proposal. The first is to make sure that our states, our constituents, and this country have the next generation of air traffic equipment that they need. The second is to make sure that the funding for these upgrades is raised in a way that serves the interests of the people we represent.

And that's where you come in. We in Congress value your input and advice on these matters. Tell us how we can best serve our state, and how you feel we can make this plan getter.

I look forward to receiving the ASA's resolution on this issue, and from hearing from you individually.

STATEMENT OF JAMES C. MAY, PRESIDENT AND CEO
AIR TRANSPORT ASSOCIATION OF AMERICA, INC.

BEFORE THE AVIATION SUBCOMMITTEE OF THE SENATE COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION CONCERNING FAA REAUTHORIZATION LEGISLATION
MARCH 8, 2007

Congress, in the coming months, has the singular opportunity to lay the foundation for a truly 21st century air traffic control (ATC) system that will safely, efficiently and equitably meet the growing needs of system users; and thereby benefit those who rely on air transportation, the communities that airlines serve, the innumerable industries that depend on air service and our nation's economy.

All who are interested in the future of civil aviation in our nation are witnessing a historic convergence of factors that will shape aviation for decades to come the closely approaching deadline to enact reauthorization legislation for the Federal Aviation Administration (FAA), the undisputed imperative to modernize the ATC system, and the well-recognized need to return to an ATC funding mechanism that matches the costs that users impose on the system with the fees that they pay for ATC services. The inescapable reality is that the ever-growing demand of passengers and shippers for air transportation cannot continue to be met by an ATC system that was introduced in the mid-20th century and that relies on a decades-old funding scheme that has strayed far from its original intent.

The stakes are enormous; the public-interest considerations are clear; and the need for prompt, decisive action is undeniable.

I. OVERVIEW

The benefits of a modernized and equitably funded ATC system will be considerable and will be widely distributed throughout our society:

· **Safety:** Will provide more precise information about aircraft locations, both in the air and on the ground, and will enable aircraft to constantly know one another's locations.
· **Passengers and shippers:** Will ensure needed growth in capacity to satisfy customers' expanding demands for air service.
· **ATC system users**: Will enable the ATC system to continue to accommodate all users general aviation, corporate aviation, airlines and the military and to do so more efficiently than today; careful project justification will assure stakeholders that modernization projects are necessary and their costs are contained.

· **FAA:** Will assure a stable, predictable revenue stream, thereby enabling the orderly and efficient transformation of the ATC system.
· **Equity:** Will assure that each user pays its fair share but no more, unlike today where airlines pay for 94 percent of Airport and Airway Trust Fund (AATF) revenues but only use 68 percent of ATC system services.
· **Environment:** Will reduce aircraft emissions through fuel conservation that more efficient flight paths and separation standards will achieve.
· **Communities:** Will promote air service to communities, large and small, and the economic benefits that flow from being linked to the air transportation system.
· **U.S. economy:** Will assure that our economy continues to benefit from air transportation's ability to move people and goods quickly and economically.

II. WHAT WE'RE *NOT* SAYING

Rhetoric sometimes does not coincide with reality in the ongoing debate about FAA reauthorization legislation. We want to make a few preliminary points to set the record straight:

· **We are *not* saying that piston-powered general aviation aircraft should pay the same as turbine-powered aircraft.** Piston-powered general aviation aircraft generally fly at different altitudes than turbine-powered aircraft and therefore often impose no or few demands on ATC system resources. Any funding mechanism should reflect that difference, just as it can reflect the difference between daytime and nighttime operations.
· **We are *not* saying that small communities should be left to fend for themselves.** Small communities have unique air service needs. Reauthorization legislation should recognize those needs in its funding and Essential Air Service Program provisions.
· **We are *not* saying that Congress should end its role of guiding the direction of the air traffic control system.** We are not trying to strip Congress of its role of overseeing ATC funding decisions. On the contrary, we are upholding Congress' historic view that funding should be cost based.
· **We are *not* saying that the air traffic control system should be privatized.** The ATC system must be modernized and its funding mechanism reformed but the FAA should continue to be the supplier of air traffic control services. Modernization and reform should not be equated with privatization.
· **We are *not* saying that airlines should control who has access to the nation's airspace.** Instead, we are saying that unless the system is modernized and a sound funding mechanism for it is created, capacity constraints will increasingly limit the access of all users general aviation, corporate aviation, airlines and the military.

III. THE INDISPENSABLE ROLE OF THE AIRLINE INDUSTRY IN THE U.S. ECONOMY

The U.S. airline industry is not simply an important sector of the national economy; its services fuel our entire economy. Air transportation is an indispensable element of America's infrastructure and our nation's economic well-being. Individuals, businesses and communities depend on the national air transportation system. **U.S. airlines transport over two million passengers on a typical day and directly employ 550,000 persons to do so; they provide just-in-time cargo services; they are the backbone of the travel and tourism industry, which annually generates $1.3 trillion in economic activity in the United States; and airlines link communities throughout our nation and to the world.**

Moreover, the airline industry is the foundation of the commercial aviation sector, which is comprised of airlines, airports, manufacturers and associated vendors. **U.S. commercial aviation ultimately drives $1.2 trillion in U.S. economic activity and 11.4 million U.S. jobs.** By any measure, the U.S. airline industry is a valuable national asset and its continued economic health should be a matter of national concern.

We also recognize how critical air service is to the small communities of our nation. For that reason, we firmly support the continuation of a strong Essential Air Service Program. Any reauthorization needs to include such a continuation.

This key element of our nation's infrastructure cannot sustain its vital role of transporting people and goods if the government infrastructure that it depends upon, the ATC system, becomes an impediment. Air transportation risks becoming a wasting national asset if three of its most distinguishing characteristics speed, dependability and efficiency are encumbered by an increasingly obsolescent ATC system.

IV. TODAY'S AIR TRAFFIC CONTROL SYSTEM IS SHORTCHANGING OUR FUTURE

The current system is based on 1950s architecture. It was cutting edge during the era of Ozzie and Harriet but not today. Although the ATC system in the past has served users well, this outdated infrastructure cannot meet the operational needs of 21st century civil aviation. It will not be able to serve the needs of passengers and shippers, private pilots, and corporate aircraft, or accommodate the ongoing introduction of unmanned aerial vehicles.

The current ATC system relies on a series of ground-based platforms. Navigational aids, radar and controllers are all terrestrial. They are linked to form a very complex network system that supports airways, through which aircraft fly. The system was designed to create point-to-point routings, which by their very nature are finite. Its components reflect that paradigm.

Airways, unfortunately, increasingly resemble many highways: they have become saturated. What we have come to realize is that the ground-based system that supports point-to-point airways cannot produce substantial new capacity. We have no choice but to introduce new technology to generate needed capacity.

Obsolescent ATC technology and the operating procedures that are tied to them mean that many aircraft routings for airline, corporate and general aviation aircraft are inefficient and will become increasingly so as we move further into the new century. Because of these inherent technological limitations, today's ATC system cannot and never will be able to take full advantage of available technology or integrate and fully exploit emerging technology. Potential capacity enhancements and efficiency

improvements, so critical to meeting growing air traffic demand and responding to environmental concerns, will remain unrealized unless the ATC system is promptly and thoroughly transformed.

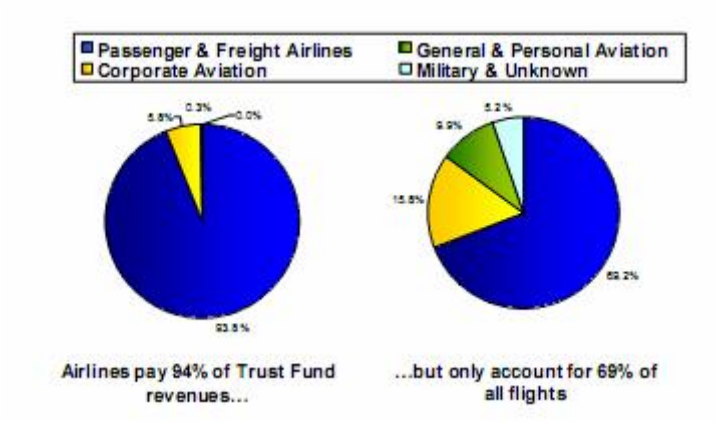
Today's System is Inefficient

Aircraft frequently zigzag between ground beacons to navigate an inefficient process that wastes time and fuel while generating excess emissions. This route was flown by an ATA member airline in December 2005, from Washington, D.C. to Boston. This route is about 35 percent longer than the direct route. Weather was not a factor in this situation. This type of flying happens regularly in the NAS.

Imperiling needed improvements is the fact that the ATC system's funding mechanism is a relic of 1970. Such an artifact has no place in the 21st century. It was created when corporate and general aviation aircraft were insignificant users of the system. This is no longer so. **Today corporate and general aviation consumes 26 percent of the system's services but contributes only six percent of Trust Fund revenues.** As Secretary of Transportation Peters said recently, **"Under the current tax structure, it is clear that taxes paid by different user categories do not generally reflect the costs those users impose on the system."** 1 Corporate aircraft will use an even greater proportion in the future as thousands more business aircraft and very light jets (VLJs)

are introduced. Funding for a modernized ATC system must reflect that changed and changing reality.

1 Feb. 14, 2007, letter of Secretary Peters transmitting the proposed Next Generation Air Transportation
System Financing Reform Act of 2007 to the Senate at p. 3.



V. WHAT DELAYS COST TODAY

Airlines schedule their flights based on demand; i.e., when people want to fly and when cargo needs to be delivered. Airlines don't create that demand, customers do. Aviation infrastructure must respond to what consumers want.

The Department of Transportation has estimated that in 2005 the cost of delays to U.S. airline passengers was $9.4 billion. The cost to airlines is also tremendous. Every minute of flight delay experienced in 2005 imposed an estimated $62 in direct costs on airlines. **The 94.1 million cumulative delay minutes in 2005 therefore generated $5.9 billion in costs to the airline industry and a total projected cost to the U.S. economy of $15.3 billion.** Expressed differently, 2005 delays cost $484 *per second.*

ATC system capacity must be dramatically expanded and soon. Flight delays, as noted above, are bad today and they will get worse. The current system cannot handle what is coming. ATC system users, and the ultimate beneficiaries of aviation services travelers, shippers, businesses and communities need an air traffic control system that can make the most of contemporary and new technology.

VI. THE NEED FOR IMMEDIATE ACTION

Secretary of Transportation Peters only three weeks ago said, **"The current aviation system simply cannot handle future traffic increases without major delays, making system transformation necessary."** 2 The Secretary's assessment is indisputable. The nation's airways will become more and more congested as increasing

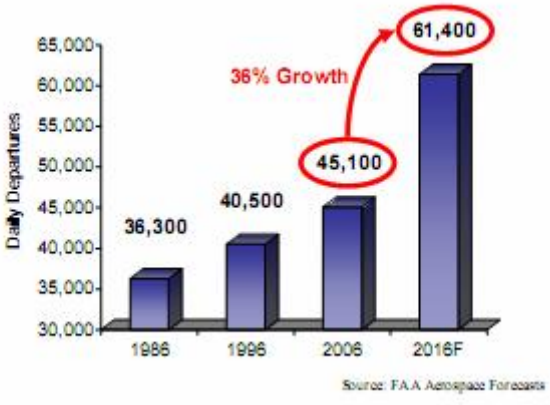
demand, particularly from rapidly rising numbers of corporate and VLJ aircraft, overwhelms existing capacity.

The best estimates inform us that, without prompt and thorough modernization, the ATC system will progressively asphyxiate. More and more airports and more and more airspace will become congested, increasingly choking civil aviation in our country. Gridlock will become a common word in aviation parlance.

Numbers starkly tell the story. **The FAA projects that one billion passengers will be enplaned in 2015, up from nearly 750 million enplanements in 2006.** That projection reflects an unabated demand for air transportation no "breathing spell" is forecast. The FAA also predicts that 10,000 corporate aircraft, including traditional business jets, turboprops and VLJs, will be added to the fleet between 2007 and 2017. This will significantly shift the proportion of air carrier to business aircraft using ATC services. It will also generate extraordinary new demands for those services. **Instrument flight rule operations the most significant source of demand on the ATC system are projected to rise by 36 percent, from roughly 45,000 per day to over 61,000 per day, in the next decade. That new burden will be on top of an ATC system that today is displaying unmistakable evidence of strain. To place this in some perspective, that strain is evident on days when at any given time, on average, only 6,000 aircraft are flying in the ATC system.**

2 Feb. 14, 2007, letter transmitting the proposed Next Generation Air Transportation System Financing Reform Act of 2007 to the Senate at p. 1.

Change Required to Meet Growth
FAA Projects 36% increase in daily flights in ten years



The existing ATC system cannot absorb that anticipated demand. It suffers from fundamental structural limitations, principally attributable to the system's reliance on

ground-based navigation, radar and communications facilities. The result is that the current system is not scalable; the system cannot be expanded to meet upcoming demand.

It is not the system to meet the future growth of civil aviation airline, corporate or general aviation.

The ominous consequence of all of this is that delays are forecast in 2014 to increase by 62 percent over 2004 levels. That level of delays will be intolerable. Such an increase will have profound repercussions on airlines, ATC operations and airline customers, and will ripple across our economy. The effect on the total U.S. economy is likely to be immense. **The Joint Planning and Development Office has estimated that the cost of failing to meet future airspace demand could approach $40 billion annually by 2020.**3

Today's System Cannot Handle Future Demand

Russ Chew
Former COO, FAA ATO

"We project that if traffic grows as expected, by 2014, delays in the U.S. will increase 62 percent over 2004 levels. These projected delays will cost the airlines at least $2 billion in extra costs that will seriously erode profits needed for future fleet and infrastructure expansions."

Russ Chew, Former Chief Operating Officer of
FAA Air Traffic Organization, on Sept. 28, 2006,
ICAO Congested Skies Conference.

The nature and extent of these anticipated delays need to be understood. An increase in delays of that magnitude will mean that airspace and airports that have not experienced chronic delays will routinely experience them in the future. It will not simply be that afflicted airports will get worse, the affliction will spread.

Schedule reliability will be the immediate casualty of such a surge in delays. Not only will flights be delayed, connections will be missed and chronically delayed flights will be cancelled. Service unpredictability at a level not previously experienced could materialize. Passengers and shippers and those who rely on the transportation of those people and products will suffer, and their suffering will worsen month by month, year by

3 GAO, *Next Generation Air Transportation System* at p. 16 (GAO Report No. 07-25, Nov. 13, 2006).

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year. Industries and communities dependent on civil aviation, whether for scheduled airline service or general aviation operations, will be similarly affected.

While customers will not accept such a result, neither will airlines or the FAA. Both airlines and the FAA will reconfigure their operations to respond to worsening ATC system performance. It will certainly not be business as usual if gridlock begins to cascade through the system. Sooner or later, access to airline services and ATC services
will be limited in some way or ways. If flight schedule reliability deteriorates, airlines will stretch out their schedules and flight connection times. That, of course, will make airline operations less efficient and more costly. It also will diminish the attractiveness of air transportation and some customers will look for substitute means of transportation, thereby exposing airlines to further financial distress. Were ATC operational performance to worsen, the FAA would predictably explore measures to ration demand on the system. We have experienced that before with the High Density Airport Rule and its progeny, and in the aftermath of the PATCO strike during the first half of the 1980s. We do not want to repeat that experience.

If the government does not embark on the necessary transformation of the ATC system, it risks becoming the regulator of inconvenience. That is not the role that any of us wants it to assume.

VII. THE SOLUTION TECHNOLOGY AND FAIR FUNDING WILL PREVENT GRIDLOCK

A satellite-based air traffic control system will provide the means to reduce delays and congestion that otherwise will occur. The benefits of a technologically up-to-date ATC system that is equitably funded will be extensive and will be widely distributed

throughout the user community.

A. A Modern Air Traffic Control System: We Can Do It

Air traffic control system modernization is neither novel nor revolutionary. It is being accomplished elsewhere in the world. We can do the same.

ATC service providers in other nations have recognized the need to replace antiquated ground-based systems. They have taken steps to transform those systems to satellite-based, digital air traffic management systems that ensure safety, generate added efficiency and produce additional airspace and airport capacity. Large and small countries have done so. For example, Fiji introduced a GPS-based air navigation system over a decade ago. Australia, Canada, China, France, Germany, India, Switzerland and the United Kingdom are implementing next-generation ATC systems.

The Alaska Capstone Program, Required Navigation Performance (RNP) terminal arrival and departure routings at Atlanta and Dallas/Ft. Worth, and RNP instrument approach procedures at airports that have challenging approaches, such as Juneau, Palm Springs and Reagan National in Washington, have given us a preview of what more extensive application of new technologies can deliver for system users in this country. A broadly modernized air traffic control system will enable all types of aircraft to take full advantage of Area Navigation Procedures (RNAV), RNP and Automatic Dependent Surveillance-Broadcast (ADS-B). This will make flying safer and far more efficient.

1. The Safety Benefits

Increases in system capacity are understandably cited in discussions about the benefits of ATC system modernization. Improvements in safety, however, are what should first and foremost command our attention. Some of those improvements have already been accomplished; others are plainly attainable. A sharp drop in aircraft accidents in Alaska has occurred since the Capstone Program, which relies on ADS-B, was introduced earlier in this decade. Widespread use of ADS-B in the future will enable aircraft locations to be more precisely identified. This will be very helpful while aircraft are airborne but will also be useful in ongoing efforts to reduce runway incursions while on the ground.

2. The Capacity Benefits

Capacity improvement is another core reason for ATC system modernization. New technology will enable aircraft to be unshackled from the ground-based, point-to-point navigation systems and associated analog communications systems under which they have operated for over three-quarters of a century. New technology will also enable the more precise spacing of aircraft. The ability to fly outside of existing point-to-point airways and improved precision will enable aircraft to operate more efficiently in

airspace, whether it is en route or terminal area. That new-found efficiency will translate into added capacity. It also means, as noted above, the ability to use satellite-based instrument approach procedures at some runways that today have limited or no availability in instrument meteorological conditions another important capacity enhancement.

The wider use of digital communications, which will be an integral element of the modernization effort, will relieve congested voice communications channels, increasing the capacity to transmit quickly and accurately air traffic control information. This will mean a more orderly transmission of critical information, which will benefit both pilots and controllers, especially during peak workload periods. Furthermore, wider use of digital communications will diminish the possible blocking of voice communications between pilots and controllers in high-volume situations that can occur today, which is an increasing safety concern.

3. The Environmental Benefits

In addition, routing efficiency improvements will yield significant environmental benefits. Experts estimate that modernization of U.S. airspace management could result in 12-15 percent improved environmental performance. We have already seen such benefits. For example, the introduction of more precise RNP arrival and departure procedures in the Atlanta terminal area is projected to eliminate 483 million tons of CO2 annually.

All of these benefits can be achieved; they are being achieved elsewhere in the world. To build a modernized ATC system, however, we need a modern funding system.

B. Funding The Need to Return to Our Roots

Much of the funding predicament that we face today is because the user-pay principle that Congress embraced decades ago has been abandoned. When it comes to funding the ATC system, therefore, we need to return to our roots.

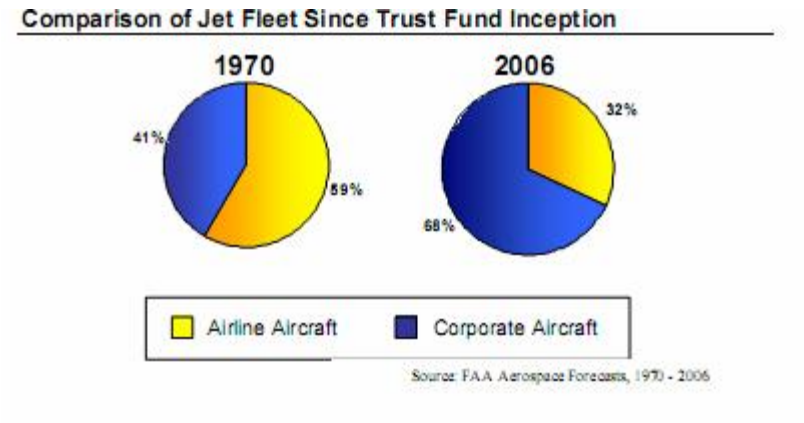
When Congress in 1970 enacted the Airport and Airway Trust Fund, the funding structure was based on two bedrock principles: user-pays financing and cost-based financing. Back then, airlines were the principal users of the system. They, as a result, were responsible for much of the ATC system costs. Funding of the Trust Fund was consequently mostly through the ticket tax. That made sense nearly four decades ago. It reflected a relationship between use and payments. That relationship is what Congress intended when it enacted the 1970 legislation.

1. Corporate aviation has grown dramatically

Congress in 1970 created a cost-based funding mechanism that mirrored the composition of air transportation. Times have changed. **When the Trust Fund was**

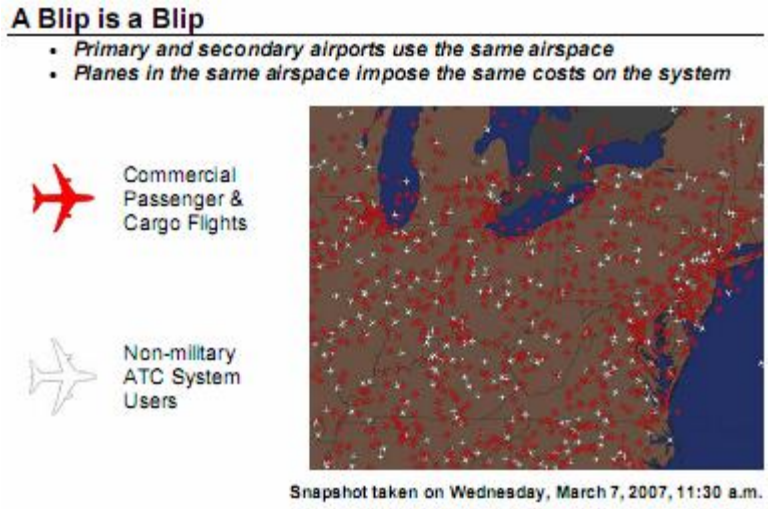
created, there were 2,500 commercial aircraft and only 1,800 corporate aircraft using the system. Today there are 8,000 commercial aircraft and 17,000 corporate planes. But airline passengers still pay 94 percent of all aviation taxes/fees while corporate fliers pay just 6 percent. The Trust Fund has not evolved to reflect this change in who is using the ATC system. As a result, travelers who fly on commercial airlines subsidize those who fly on corporate planes. The chart below shows this dramatic shift in the makeup of system users.

U.S. Fleet Makeup Has Changed



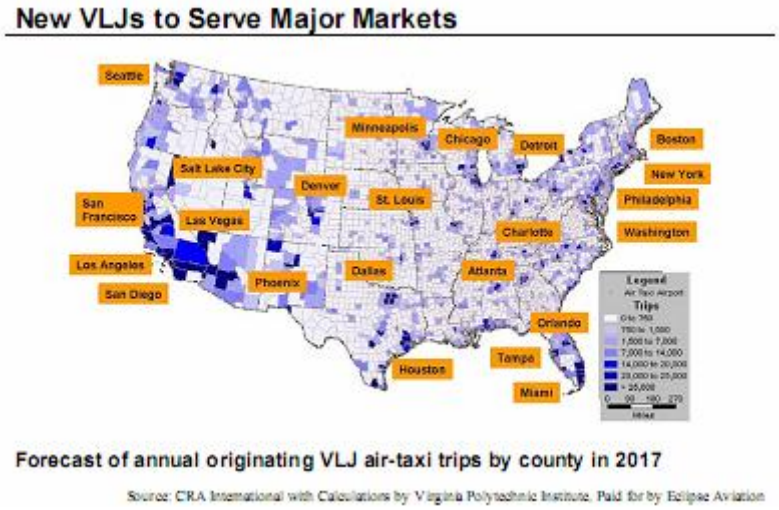
Furthermore, business aircraft frequently fly during peak travel hours and often use the same airspace as the nation's airlines; many times they are consuming the premium services of the ATC system. The magnitude of that demand is substantial. For example, on an average day there are 238 IFR operations at Teterboro Airport. This compares with an average of 301 IFR operations by Continental Airlines at nearby Newark Airport.

These corporate users are not merely putting incidental demands on the system, as the depiction below graphically demonstrates.



The business aviation industry is projected to grow even larger over the next decade with the introduction of next-generation aircraft called very light jets (VLJs) that in many instances will be able to fly at the same altitudes as airline aircraft. Not surprisingly, according to FAA data, business aviation is the fastest growing segment of the aviation industry. Indeed, there have been well-publicized reports of investors' plans to order vast numbers of VLJs to create new air-taxi services. This will be pure commercial usage of the ATC system. In no way will it resemble the recreational pilot flying from a general aviation airport on a Saturday afternoon.

As the depiction below clearly indicates, VLJ operations are forecast to be more concentrated than is commonly understood. They will not simply be operating between low-activity airports, or in low-activity terminal airspace or underutilized en route airspace. VLJs and their brethren, corporate aircraft, will consume increasingly scarce ATC system resources.



2. The principle of equitable funding has been forsaken

When the Trust Fund was established in 1970, the airline industry was regulated and ticket prices were set by the government. In general, those government-set ticket prices reflected the cost of operation. As a result, generating revenue through a tax on ticket prices made sense it ensured that Trust Fund revenues were linked to the cost of operating the air transportation system. Congress recognized at that time that this cost-based financing principle was equitable because

"a ticket tax is geared to charge an equitable tax related to the distance traveled and the cost per mile of air operation, since ticket prices for short flights are more per mile than long-line flights and the tax is proportional to the price of the ticket." 4

Today, ticket prices are based on market competition and have absolutely no correlation to the cost of services. **As a result, the largest source of Trust Fund revenue has absolutely no link to the cost of maintaining and upgrading the aviation system.** The symmetry on which the Trust Fund was based has evaporated.

4 *Report of Committee on Ways and Means,* reprinted in 1970 U.S.C.C.A.N. 3084.

3. A "fundamental disconnect between the existing tax structure and the FAA's workload"

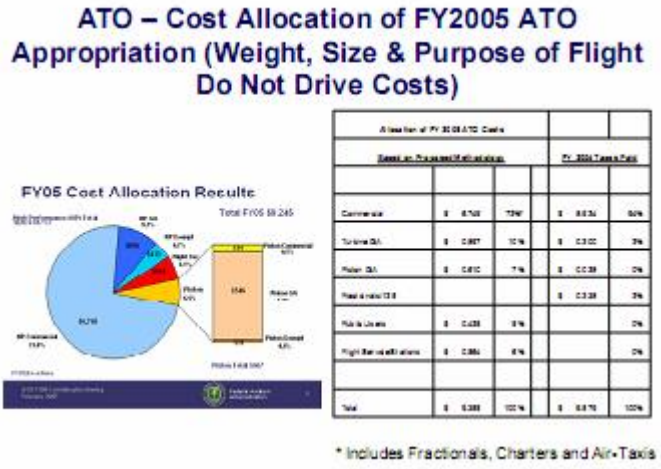
There is no correlation today between revenue collected and services consumed. Airlines pay for 94 percent of Trust Fund revenues but only use 68 percent of ATC system services. The result of this inequity is that airlines, and ultimately their customers, are heavily subsidizing other users of the system. As Secretary of Transportation Peters has very forthrightly said, a "fundamental disconnect between the existing tax structure and the FAA's workload...." 5

By way of illustration, a Cessna Citation X corporate jet aircraft would contribute an estimated $306 to the Trust Fund when it flies from New York to Los Angeles. An airline's Boeing 757-200 aircraft flying the same route would contribute an estimated $2,660 to the Trust Fund. Both are high-performance aircraft; both fly at the same altitude, in the same airspace; and both place comparable demands on the air traffic control system. Yet, there is an eight-to-one difference in payment for ATC services.

Airline Flight vs. Corporate Jet Flight
Contributions to the Airport and Airway Trust Fund

This breathtaking disparity does not tell the whole story. Over time, the foundation of the Trust Fund has badly eroded. Today's funding structure does not assure sufficient future revenues, even for the current ATC system. The worrying trend this decade has been the continuing draw down of the Trust Fund. That, obviously, is unsustainable. In fact, the General Accountability Office has pointed out that past trends and future projections indicate that the "revenue collected under the current funding system has fallen and will continue to fall relative to FAA workload and costs...." 6

5 Feb. 14, 2007, letter of Secretary Peters transmitting the proposed Next Generation Air Transportation
System Financing Reform Act of 2007 to the Senate at p. 3.
6 GAO, *Aviation Finance - Observations on Potential FAA Funding Options at p. 11* (GAO Report No. 06-
973, Sept. 2006).



Moreover, today's funding structure does not assure a stable revenue stream. That is because the average ticket price is lower today than it was at the beginning of this decade or, adjusted for inflation, than it was in 1970 at the outset of the Trust Fund. Revenue stability and, therefore, predictability will be essential to the successful modernization of the ATC system. The Trust Fund as presently constituted simply does not assure the wherewithal to sustain the system in the future.

Again, ATC system service providers elsewhere have confronted this issue and satisfactorily responded to it. They have found this to be a straightforward issue. ATC systems throughout the world have implemented cost-based funding arrangements to ensure an adequate, stable revenue stream to fund their modernization efforts. This has occurred in Australia, Canada, France, Germany, New Zealand and the United Kingdom.

In the United States, several independent commissions and studies have examined how best to meet FAA financing needs. Their common and long-standing conclusion has been that reform is urgently necessary. For example, before the last Trust Fund reauthorization in 1997, Congress established the 21-member National Civil Aviation Review Commission that former Transportation Secretary Norman Mineta chaired. **The Mineta Commission unanimously recommended that FAA revenues be more closely linked to the cost of providing services. As it stated:**

"The Commission recommends that the FAA adopt a cost-based revenue stream to support its air traffic system activities including capital investments. At the same time, funding for aviation security, safety, and government use of the air traffic system should be provided by the federal government's general fund." 7

Four years before that report, the National Commission to Ensure a Strong Competitive Airline Industry, which former Virginia Governor Gerald L. Baliles chaired, concluded that the existing federal budget process **"provides neither a stable, predictable source of revenue nor the ability to leverage that revenue...."** 8

More recently, the Government Accountability Office has said that **"[a]viation experts and stakeholders agree that the incomplete implementation of these recommendations and additional factors could limit FAA's ability to fully address long-standing NAS [National Airspace System] modernization problems."**9

For well over a decade, independent authorities have told us that the funding of FAA air traffic services must be changed to reflect contemporary reality. The necessary path has been described to us, many times. We need to follow it.

C. Funding The Financial Benefits of Returning to Our Roots

A user-pay/cost-based funding arrangement would produce three principal benefits:
· **Lower costs; increased efficiency:** A recent General Accountability Office

report noted that the current financing system does not create any incentive to control costs and improve efficiency because use and cost are unrelated. Right now, consumers of FAA ATC services have little or no motivation to rationalize their consumption of those services. User consumption of services and user payment for services are no longer linked. Reestablishing that link will rationalize decision-making about use of the system and, in turn, economize the way the government provides services. The result will be more efficient use and provision of FAA services.

· **Revenue stability:** The Trust Fund's uncommitted balances have fallen by more than 70 percent over the past five years.10 That is a disturbing development and calls into question the ability of the Fund to support ATC modernization. A return to cost-based financing would generate a stable revenue stream to fund modernization.

· **Equity:** Under the current funding system, two aircraft operators can pay very different amounts even if they use the same services and impose the same costs on the FAA. This is unjustifiable. Charging aircraft operators based on their use of

7 *National Civil Aviation Review Commission Report* at p. I-2 (1997).
8 *Change, Challenge and Competition* at p. 8 (1993).
9 GAO, *National Airspace System Transformation Will Require Cultural Change, Balanced Funding Priorities and Use of All Available Management Tools* at p. 16 (GAO Report No. 06-154, Oct. 14, 2005).
10 GAO, *Aviation Finance - Observations on Potential FAA Funding Options* at p. 1 (GAO Report No. 06-973, Sept. 2006).

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the system would create a more equitable funding system and ensure that all users are paying their fair share.

D. Funding The Need for Effective Oversight

The principle of equitable funding is not synonymous with writing a blank check. Any change in the financing of the ATC system should only occur if basic oversight issues are addressed. Some of these are knotty but they can and must be resolved.

Congress' role in policy decisions about funding should not be supplanted. We regard that as a given. Indeed, we look forward to Congress exercising that role.

Stakeholders, however, must have a central role in decisions affecting the funding and deployment of ATC system improvements. Their decisionmaking role must reflect their contribution to that funding. We recognize the sensitivity of this issue. But we firmly believe that a usage-fee funding arrangement cannot be allowed to become an open spigot. Cost containment will be vital to successful system modernization.

Modernization projects must be carefully justified, user vetted, and held to budget.

VIII. ADMINISTRATION'S PROPOSED FAA REAUTHORIZATION LEGISLATION

The administration's legislative package contains a usage-fee proposal that is a welcome first step in reforming the funding of the FAA. Nonetheless, as noted below, more needs to be done.

The proposed user fee/tax system is based on the FAA Air Traffic Organization cost allocation study. That study clearly recognized that airlines and their passengers grossly overpay today. It concluded that "high performance commercial" users (i.e., turbine aircraft operated in scheduled service, as on-demand charters or under fractional ownership) generated only 73 percent of system costs, although these same users today contribute 94 percent of the revenue that goes to the Trust Fund. The graph and table on page 14 summarize the FAA's cost allocation. This is a very important recognition of the actual costs that users impose on the system.

Unfortunately, one matter that the administration's legislation falls short on is the key issue of airport funding. Airlines pay over $14 billion annually in airport charges and fees through landing fees, rates and charges, passenger facility charges, and the Airport Improvement Program. We therefore are vitally interested in how in the future airports will be funded and how capacity improvement projects will be approved, especially those funded through the PFC program. The administration's airport-related proposals, however, would not provide airlines a meaningful role in these critical decisions and would virtually eliminate FAA oversight. Airlines and airports need to have a close, collaborative relationship in determining what capacity projects are initiated, project scope and cost, ongoing operations and maintenance costs, and how these various costs are paid for.

Disappointingly, the administration's legislation does not recognize these necessary principles.

Our reactions to several of the propositions in the administration's proposed legislation are described below.

· **User fee authority (§201):** We support a cost-based approach to funding FAA services and the creation of associated borrowing authority but more needs to be done to make the administration's proposal conform to such an approach.

o On the positive side, the administration's proposal moves to correct the unfairness of the current funding system through the introduction of a cost-based funding system. Permissible fee factors are identified, although a formula is not specified and thus remains up to the FAA to establish. The bonding authority included in the proposal will facilitate the needed

modernization of the air traffic control system, although the short repayment period could put substantial upward pressure on user fees.

o On the negative side, the proposal is silent about how to assure that costs are appropriately contained. This is a very basic issue that needs to be resolved. Furthermore, no judicial review of FAA user-fee determinations would be permitted. This is a significant shortcoming. In addition, recognizing weight as a permissible factor in determining some user fees, which the proposal would, is unjustified. Weight is not a legitimate proxy for the costs that an aircraft imposes on the system. The authority to impose fees for operations in terminal airspace for large hub airports ignores the significant costs that corporate aircraft that do not operate at those airports impose in that airspace.

· **Air Transport System Advisory Board (§401):** The industry supports the creation of a board that can have meaningful decision making authority about key ATO issues, particularly those involving user fees and bonding. Unfortunately, the administration's proposal does not give stakeholders a meaningful voice; the Board would merely be advisory and have no real authority. We realize that this is a contentious issue but it must be directly confronted and resolved. If you pay, you must have a real voice in how your money is spent.

· **Passenger Facility Charges (§301):** Although described as a reform of PFC authority, the administration's proposal could impose an additional $2 billion in taxes on passengers while reducing airlines' voice in and the role of the FAA in the approval of PFC projects. Such changes are unjustified.

· **Airport Improvement Program (§302 et seq.):** Although the administration's proposal would modernize parts of the AIP and would recognize the greater financial ability of large and medium hub airports to fund airport improvements, the proposal includes $1 billion in subsidies for noncommercial airports, most of which would come from airlines and their passengers. Given that the proposal makes no attempt to apply the "pay for what you use" principle to this program, the more than tripling increase of our jet fuel tax from 4.3 cents to 13.0 cents a gallon would be unacceptable.

· **Airport Privatization Program (§806):** This proposal would increase to 15 the number of airports that could be included in the privatization program but would eliminate the requirement of carrier approval of such privatizations. We oppose that provision because of the possibility that the elimination of approval authority could result in transactions that financially disadvantage airport users, including airlines.

· **Facilities and Services Realignment and Consolidation Commission "FAA BRAC" (§409):** Under this proposal, a BRAC-like process for the realignment and consolidation of FAA facilities and services would be implemented. Effective containment of FAA Air Traffic Organization costs will depend in part on such consolidations. Given the controversy that facility consolidations can create, the administration's proposal is a sensible approach.

· **LaGuardia Airport Operating Authorization Allocations (§503):** The airline

industry has opposed the imposition of new costs at LaGuardia. The preponderant view in the industry is that the operational cap coupled with a reinstatement of the secondary market allowed under the previous buy-sell rule, although perhaps needing some improvement, is sufficient to manage congestion and provide for equitable allocation of access to the airport. The industry opposes any scheme under which the airport operator would be allowed to generate excess revenue and divert that revenue to projects that do nothing to address congestion or expand capacity at the airport.

· **Market-Based Mechanism Pilot Program at Congested Airports (§504):** We oppose this proposal because the focus should be on improving capacity at high-volume airports rather than saddling passengers and shippers with far costlier service at the airports that they want to use.

· **FAA War-Risk Insurance Program Extension (§§701, 702):** The industry supports the unchanged extension of both the FAA war-risk insurance program, and the third-party liability cap and punitive damage prohibition. We oppose the administration's proposal to eliminate FAA "first dollar" coverage for such insurance.

We look forward to working with the Committee on these and other issues concerning FAA reauthorization legislation.

IX. CONCLUSION

We need a truly 21st century air traffic control system that will safely, efficiently and equitably meet the growing needs of civil aviation and our national economy. And it needs to be funded the right way so that the revenue that is needed to keep our nation's air commerce vibrant and responsive to consumer needs can be provided fairly and predictably. We cannot permit inertia or parochial considerations to delay achieving that important transformation.

Statement of
Todd Hauptli
Senior Executive Vice President,
the American Association of Airport Executives,
and the Airport Legislative Alliance,
on Behalf of
the American Association of Airport Executives
and the
Airport Legislative Alliance
Before the
Aerospace States Association
March 13, 2007

Lieutenant Governor Dubie and members of the Aerospace States Association, thank you for inviting me to participate in this hearing on the Administration's proposal to reauthorize the Federal Aviation Administration (FAA). I am testifying today on behalf of the American Association of Airport Executives (AAAE) and the Airport Legislative Alliance (ALA).

AAAE represents the thousands of men and women who manage primary, commercial service, reliever and general aviation airports throughout the county. The ALA, representing America's airport system, is comprised of airports of all sizes from across the country that have come together to address federal legislative and regulatory matters on behalf of the industry. A roster of ALA members is included at the end of my testimony.

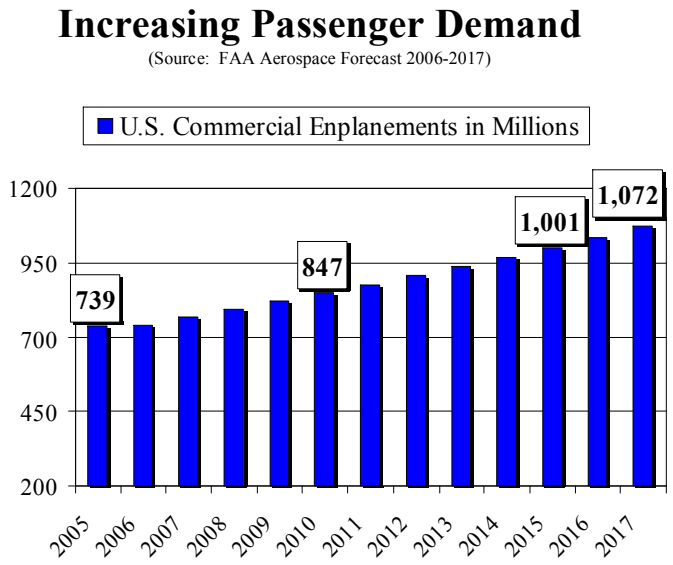
As we begin the debate on the next FAA reauthorization bill, I would like to highlight some of the key provisions contained in the last two FAA reauthorization bills: H.R. 1000, the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21) and H.R. 2115, Vision 100 – Century of Aviation Authorization Act. During consideration of those two bills, lawmakers agreed to increase the cap on Passenger Facility Charges (PFCs) from $3.00 to $4.50 and steadily increase AIP funding from approximately $2.5 billion in Fiscal Year 2000 (FY00) to $3.7 billion in FY07.

The aviation system has faced many challenges since Congress passed AIR-21 seven years ago. Despite the temporary downturn that occurred after September 11th, passenger levels, flight delays, airport capital needs and construction costs continue to rise. **To help airports keep pace with increasing capacity and financial demands, we encourage each of you to ask the members of your Congressional delegation to increase the PFC cap to $7.50 and increase AIP funding to $3.8 billion in FY08.** By continuing the trend of increasing funding for airport capital development projects established in AIR-21 and Vision 100, Congress can help to improve safety, increase capacity and reduce delays at airports around the country.

In addition to increasing funding for airport capital development projects, another top priority for AAAE and the ALA is to help small communities that are struggling to retain and attract new commercial air service. During consideration of AIR-21 and Vision 100, Congress extended a helping hand to small communities suffering from infrequent air service and high airfares. We look forward to working with you to build on those successful efforts during consideration of the next FAA reauthorization bill.

Increasing Demand, Delays and Airport Capital Needs

Increasing Demand: About a year ago, the FAA released its Aerospace Forecast for 2006 to 2017. The forecast indicated that the number of passengers flying in the United States was about 6% higher in 2005 than it was before the terrorist attacks on 9/11 and 7.1% higher than 2004. The FAA is also predicting that passenger enplanements will increase from approximately 739 million in 2005 to more than one billion passengers in 2015 at an average annual increase of 3.1%.



Former Secretary of Transportation Noman Y. Mineta, commented on these projections and the need to increase capacity when he spoke at the FAA Forecast Conference on February 28, 2006. "And looking at this year's aviation forecast, it is clear that we had better prepare to expand capacity if we are going to keep from being snowed under by gridlock and congestion," Mineta said.

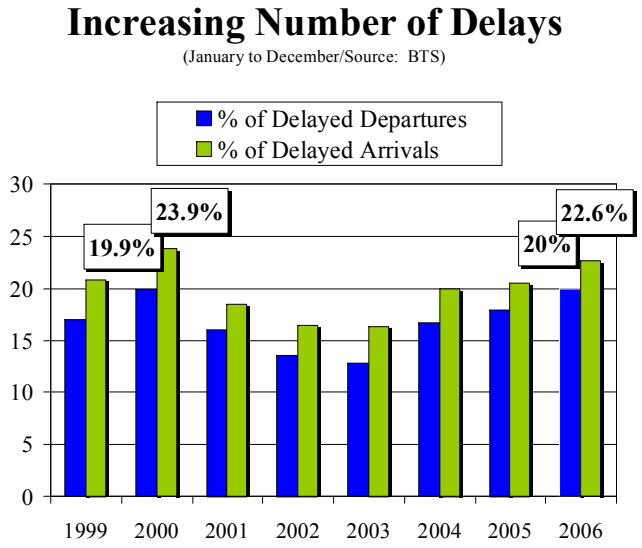
The demand for air cargo is also growing. The FAA is predicting that total Revenue Ton Miles – or the measurement of moving one ton of cargo one mile – will increase from 39.2 billion in 2005 to 71.7 billion in 2017. This is an average of 5.2% per year. To handle that increased load, the number of cargo aircraft is expected to increase from just over 1,021 in 2005 to 1,345 in 2017, which is an increase of 31.7%.

More regional jets and Very Lights Jets (VLJs) will be filling the skies, too. The FAA is predicting that the number or regional jets will increase from 1,758 to 2,819 by 2017,

an average annual increase of 4% per year. When Nicholas A. Sabatini, the Associate Administrator for Aviation Safety at the FAA, testified before the Senate Commerce Committee in September, he mentioned that 5,000 VLJs will likely be operating by 2017.

Increasing Delays: Flight delays are also on the rise. According to the Bureau of Transportation Statistics (BTS), 22.6% of all flights between January and December of 2006 arrived at their gates 15 minutes or more after their scheduled arrival time. That's a 2.1% increase from 2005, and it's nearly as high as the record delays that occurred in 2000 when 23.86% of all flights arrived at their gates behind schedule.

BTS also tracks the number of flights that leave their gates on-time. Between January and December 2006, almost 20% of all flights left their gates 15 minutes or more after their scheduled departure time. That's more than a 2% increase from the previous year and it's even higher than the delays that occurred in 2000 when 19.9% of all flights left their gates late. In other words, delays measured in both arrivals and departures are close to or have actually exceeded the 2000 levels when one in four flights was delayed cancelled or diverted.



Increasing Airport Capital Needs: As the number of passengers and aircraft in the aviation system increase, airport capital needs continue to rise. In 2004, the FAA issued a report entitled, "Capacity Needs in the National Airspace System." The report examined which of the busiest 35 airports in the FAA's Operational Evolution Plan will be able to meet future demand. It indicates that plans to increase capacity at 15 airports "are not enough to keep up with projected levels of demand" by 2013. By 2020, "18 airports are identified as likely needing additional capacity." Given the time it takes to bring airport infrastructure projects to completion, it is critical that we act now to address this situation.

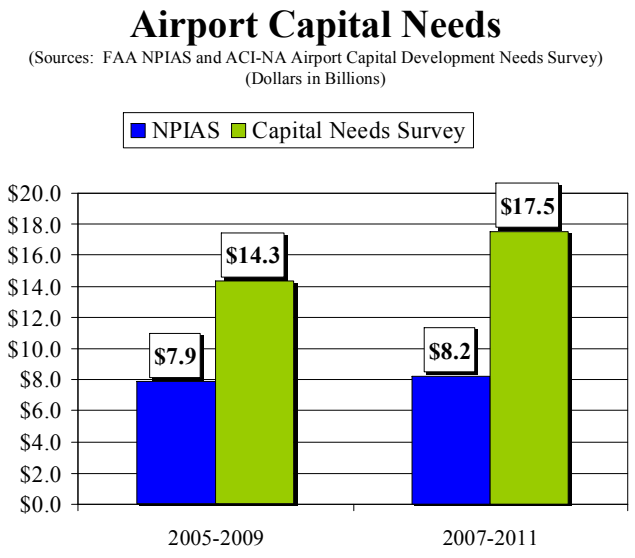
Late last year, the FAA also released its National Plan of Integrated Airport Systems (NPIAS) for 2007 to 2011. The report indicates that there will be $41.2 billion of AIP-eligible projects during the next five years – or approximately $8.24 billion per year. This is 4% higher than the $39.5 billion that FAA estimated for AIP-eligible construction projects for 2005 to 2009. Additionally, in its letter of transmittal of the draft bill, referring to the four percent increase over the previous report, the Administration states, "we believe that this figure is understated."

The NPIAS identifies 3,431 airports that are eligible to receive AIP grants. According to the report, 27% of the planned development is to bring airports up to current design standards, and 21% is for capacity-related projects. Another 17% of the planned development is for replacing or rehabilitating airport facilities such as pavement and lighting systems.

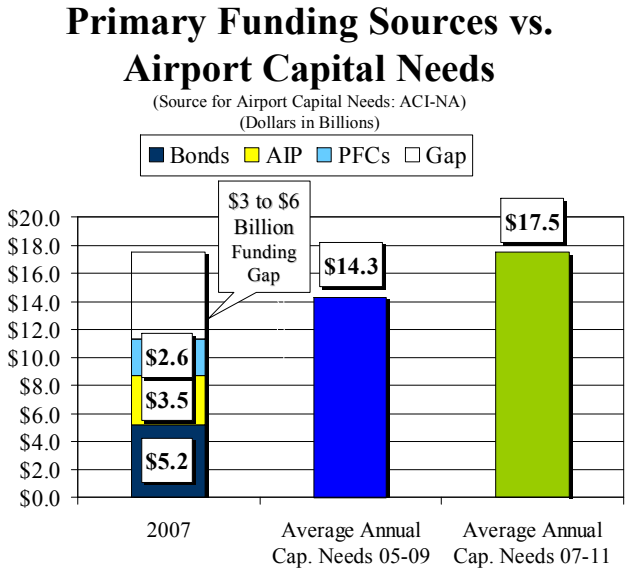
Airports rely on a number of sources for airport capital development projects. The overwhelming majority of funds come from airport bonds, AIP and PFCs. However, the FAA acknowledges in the report that "the NPIAS includes only planned development that is eligible to receive Federal grants under the AIP….It does not include development eligible under the passenger facility charge program but ineligible under the Federal grant program, such as gates and related areas."

The Airport Capital Development Needs Survey, prepared by Airports Council International-North America (ACI-NA), also indicates that airport needs are on the rise. The preliminary results of the latest survey indicate that airports will need $87.5 billion between 2007 and 2011 – approximately $17.5 per year. That represents about a 20% increase from ACI-NA's previous survey that estimated airports would need approximately $14.3 billion per year between 2005 and 2009.

Unlike the NPIAS, the Airport Capital Development Needs Survey includes projects that are AIP-eligible *and* those that airports intend to fund with other revenue including PFCs and airport bonds. It is my understanding that the increase in the latest survey is due to increasing capital requirements and rising construction costs. According to the Means Construction Cost Indexes (CCI), the average construction costs for 30 major U.S. cities have jumped 26.5% in the past three years.



The Airport Capital Development Needs Survey also reveals that there is a sizeable gap between airport needs and the revenue that is available for capital development projects. On average airports issued about $5.2 billion in new bonds per year during the past five years. That amount coupled with the $3.5 billion that Congress recently approved for AIP in FY07 and the $2.6 billion that the FAA expects will be generated from PFCs this year totals about $11.3 billion. The total of primary funding sources, which does not include the local match or other airport revenue, is about $3 billion short of the previous estimate of airport capital needs for 2007 and slightly more than $6 billion below the most recent survey.



***The Solution:* Provide Airports with the Resources They Need to Accommodate Increasing Demand and Skyrocketing Construction Costs**

FAA and the Department of Transportation (DOT) should be commended for highlighting the need for a Next Generation Air Transportation System (NextGen). Although there may be strong disagreement on how best to pay for transforming the national air transportation system, there is wide agreement on the need to move from a ground-based to a satellite-based navigation system. This is another airport priority, and I am pleased that AAAE is working closely with other aviation stakeholders to develop a plan on how to implement NextGen and avoid congestion in the aviation system.

As I mentioned previously, the passenger level is expected to increase from 739 million to 1 billion seven years from now. That is the equivalent of adding the entire population of the U.S. on to an already delayed, already constrained system. While many are understandably focusing on the need to implement a satellite-based

navigation system to reduce congestion in the skies, we should not lose sight of the need to increase capacity and reduce congestion on the ground.

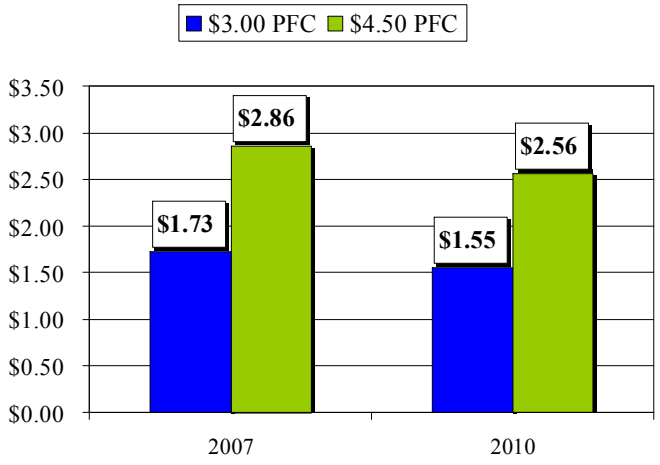
In an effort to be build the infrastructure necessary to accommodate increasing demand and to offset the impacts of skyrocketing construction costs, airport executives are urging Congress to raise the cap on PFCs, increase AIP funding and reduce the costs of airport bonds.

Increase the PFC Cap: The Aviation Safety and Capacity and Expansion Act of 1990 included a provision that has allowed airports to impose a local fee of up to $3 on passengers boarding aircraft at their facilities. AIR-21, which Congress passed in 2000, included a provision that allowed airports to increase that amount to $4.50. Money generated from PFCs augments AIP funding and other sources or revenue that airports use for a variety of purposes including building new runways, taxiways and terminals as well as paying for debt service.

Last year, airports collected about $2.4 billion from PFCs. Unfortunately, however, the value of PFCs has eroded over time due to inflation and increased construction costs. When you factor in the Consumer Price Index, a $3.00 PFC in 1990 is expected to be worth only about $1.86 in 2007, and a $4.50 PFC in 2000 is expected to be worth about $3.10.

The picture gets even worse when you examine the increasing construction costs, which provides you with a more accurate picture of the costs associated with airport construction projects. In that case a $3.00 PFC in 1990 is expected to be worth only about $1.73 in 2007, and a $4.50 PFC in 2000 is expected to be worth only $2.86 in 2007. Unless corrective action is taken, the value of PFCs will erode even more by 2010 when a $3.00 PFC is expected to be worth only $1.55, and a $4.50 PFC is expected to be worth only $2.56.

Erosion of PFC Value Due to Increasing Construction Costs

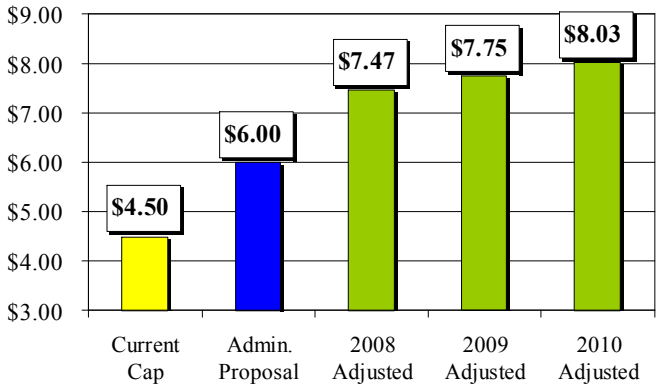


Conversely, a $3 PFC in 1990 would need to be adjusted to $4.77 in 2007 to offset the impact of inflation, and a $4.50 PFC in 2000 would be need to be set at approximately $6.58. If adjusted for increasing construction costs, a $3 PFC would need to be set at $5.21 in 2007, and a $4.50 PFC would be $7.20.

Airport executives commend the Administration for calling for a PFC increase. Its proposal to increase the cap to $6.00 is an encouraging step in the right direction. According to the FAA, raising the cap by an additional $1.50 could allow airports to generate an additional $1.2 billion per year. That would help close at least some of the gap between airport capital needs and the amount of revenue that is currently available for airport capital development projects. But it is not enough.

It is not enough to close the funding gap especially when the Administration is simultaneously proposing to cut AIP spending by almost $1 billion from the authorized level. And it is not enough to keep up with inflation or increasing construction costs. By 2010 -- the final year in the Administration's FAA reauthorization proposal -- a $4.50 PFC would need to be raised to $7.14 to keep up with expected inflation and to $8.03 to keep up with the anticipated increase in construction costs.

Administration's Proposal vs.
Adjusting PFCs for
Increasing Construction Costs



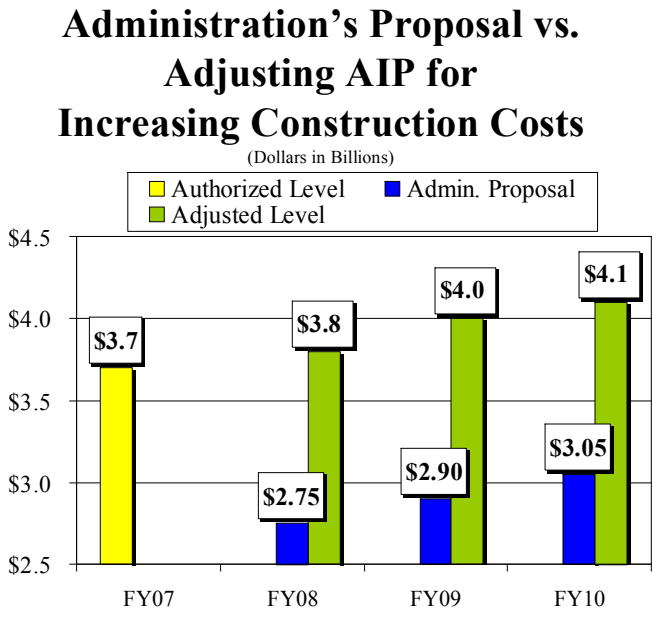
Airport executives are asking Congress to take the next step and raise the PFC cap to at least $7.50. That would be enough to offset the expected impact of inflation over the next three years and the projected increased construction costs in 2008. To prevent further erosion of PFCs, we are also asking Congress to include a provision in the next FAA reauthorization bill that would index PFCs to account for increasing construction costs.

Increase AIP Funding: In addition to raising the PFC cap, airport executives are asking Congress to increase AIP funding. AIP is an important source of funding for all sizes of airports. According to the FAA, AIP funding counted for 51% of capital

expenditures for small hub airports in FY03, 94% for non-hub airports and 89% for nonprimary commercial service airports. Large and medium hub airports also depend on AIP funding – particularly money distributed through the Letter of Intent Program (both entitlement and discretionary funds) to help pay for large capacity projects.

Given the increasing demand, inflation and construction costs, airport executives are dismayed that the Administration is requesting only $2.75 billion for AIP in FY08. This is approximately $1 billion less than the amount Congress authorized in FY07 and $765 million less than the appropriated level. The Administration is proposing to increase AIP to $2.9 in FY09 and $3.05 in FY10. However, even the highest proposed level would be $150 million less than the amount that Congress authorized for AIP six years ago. We cannot afford to take such an enormous step backward in terms of critical AIP funding.

We are urging Congress to reject the Administration's proposal to drastically cut AIP funding and roll back the progress made in AIR-21 and Vision 100. Instead we are urging lawmakers to continue to increase AIP funding as Congress did in the previous two FAA reauthorization bills. At the very least, we are urging Congress to increase AIP funding so that the program will keep up with increased construction costs. Doing so would translate into $3.8 billion for AIP in FY08, $4 billion in FY09, $4.1 billion in FY10, and $4.3 billion in FY11.



Reclassify Airport Bonds: The largest source of funding for capital development projects at airports is generated from airport bonds. Large airports particularly rely on the bond market to finance capital development projects at their facilities. In 2006, airports used approximately $3.9 billion in new bonds to finance capital development projects at their facilities. Over the past five years, airports issued an annual average of $5.2 billion in new bonds.

Unfortunately, federal tax law unfairly classifies more than 60 percent of airport bonds as private activity bonds even though they are used to finance runways, taxiways and other critical facilities that benefit the public. Since private activity bonds are subject to the Alternative Minimum Tax (AMT), airport bond issuers are usually charged higher interest rates on their borrowing. Depending on market conditions, AMT requires issuers to pay investors anywhere from 10 to 30 basis points (0.10% to 0.30%) higher interest costs on long-term fixed rate bonds. This can significantly increase overall project costs.

In addition to being subject to the AMT, private activity bonds that airports use to finance critical capital development projects cannot be advance refunded. Unlike homeowners who have the opportunity to refinance their home mortgages, airports typically are unable to refinance their debt and take advantage of lower interest rates for at least 10 years after issuing their bonds. By contrast, most governmental bonds can be advance refunded one time.

In general, airports are owned and operated by state and local governments, and airports serve a vital public purpose. We are encouraging Congress to include a provision in the next FAA reauthorization bill that would reclassify those private activity bonds that airports use to finance AIP- and PFC-eligible projects as public purpose. This would save airports in financing costs by allowing them to take advantage of lower interest rates and advance refund the bonds they use for AIP- and PFC-eligible projects. It would also free resources for additional projects.

AIP and PFC Modifications

The Administration is proposing major reforms for the AIP and PFC programs. It is clear from the Administration's reauthorization proposal that FAA staff dedicated a lot of time and energy toward coming up with a plan to simplify and improve both of these programs. We support many of the concepts outlined in the Administration's plan such as increasing the cap on PFCs. We may disagree with some of the Administration's specific proposals, and we may recommend modifying a few others. But we share the same goal of empowering local airports and truly appreciate FAA's efforts.

PFC Pilot Program for Large Airports: The Administration's FAA reauthorization proposal would create a new pilot program that would allow up to 10 medium or large hub airports to charge a $7.00 PFC if they agree to operate and maintain terminal area navigational equipment, such as instrument landing systems and approach lighting systems. Again, airports strongly believe that the PFC cap should be raised to at least $7.50. Some large and medium hub airports might be willing to participate in such a pilot program if it allowed them to increase their PFC by an additional dollar above the $7.50 level and if they received adequate liability protection.

PFC Streamlining: Airports support the Administration's proposal of streamline the PFC application process. The FAA points out in its section-by-section analysis of the

bill that "current law requires an application and approval of each PFC project (or amendment to a project) that sometimes involves prolonged reviews and delays." We agree with the FAA's assessment and strongly support its proposal to streamline the PFC process, which currently takes several months to complete.

Airports work closely with our airline partners to reach consensus on PFC-funded projects and will continue to do so if Congress endorses the Administration's streamlining proposal. For instance, airports would continue to provide a reasonable notice and comment period for carriers operating at their facilities. However, airports would be allowed to impose a new PFC earlier in the process and avoid months in unnecessary delays. Should a carrier file an objection, DOT would have the authority to terminate the airport's authority to collect PFCs for the new project if the agency concurred with the objection.

AIP/PFC Flexibility: The Administration's proposal would also allow small airports to use AIP funds for more purposes. For instance, it would allow nonprimary airports to use AIP funds for mobile fuel truck containment systems and allow them to use entitlements for revenue-producing aeronautical support facilities such as new fuel farms and hanger buildings. Small airports welcome the increased AIP flexibility, and airport executives are interested in learning more about how the Administration's proposal to expand PFC flexibility would impact their facilities.

The Federal Match for AIP Projects: A number of airport executives have expressed opposition to the Administration's proposal to reduce the federal share for certain airport projects. For instance, the Administration is calling for reducing the government's maximum share for airfield pavement and rehabilitation projects for runways and taxiways at large and medium hub airports from 75% to 50%. Decreasing the federal share would significantly increase the local cost of runway and taxiway projects at busy airports at a time when we should be trying to provide airports with more money to pay for critical infrastructure projects – not less.

Vision 100 included a helpful provision that increased the federal share for small hub and smaller airports from 90% to 95% through FY07. The Administration's FAA reauthorization proposal would allow that provision to expire and return the federal share to a maximum of 90% for many small airports. Small communities around the country often find it difficult to come up with a 5% percent local matching share. Increasing their required contribution to 10% might prevent certain small airports from moving forward with planned construction projects.

Airport executives oppose both proposals to reduce the federal share for airport projects. We would also argue that neither reduction is necessary if Congress rejects the Administration's proposal to cut AIP funding by almost $1 billion from the current authorized level.

AIP Funding for Small Airports: The Administration is also proposing to eliminate the Small Airport Fund, which is supported by turnbacks from large and medium hubs,

and replace it with a new Small Airport Set-Aside. This new Small Airport Set-Aside would provide funds for projects at small hub, nonhub, nonprimary commercial service, reliever and general aviation airports. The proposal calls for 20% of discretionary funds to be used for this new set-aside. We question the wisdom of replacing the Small Airport Fund, which links small and large airports together on AIP and PFC issues, with a new Small Airport Set-Aside. Moreover, it appears that affected airports would receive less money under the Administration's plan and consequently would not be "held harmless" by the proposed change.

Nonprimary Apportionment: The Administration's proposal also calls eliminating the maximum $150,000 apportionment for nonprimary commercial service, general aviation and reliever airports and replacing it with "tiered funding levels based on airport size and aviation activity." The new entitlements would allow some of the larger nonprimary airports to receive up $400,000. On the surface, this approach seems to make sense, and a number of general aviation airports have expressed support for tiered funding levels. However, we would reserve judgment until we learn more about how this proposal would impact all nonprimary airports.

Land Acquired for Noise Compatibility Purposes: The Administration's proposal would make a grant assurance change regarding the sale of land that an airport initially acquired for a noise compatibility purpose but not longer needs. Current law requires that the proceeds proportional to the federal government's share of the land acquisition be returned to the aviation trust fund. The reauthorization proposal would allow DOT to reinvest the government's share of the proceeds in another project at that airport or another airport. However, airport executives are concerned that the Administration's proposal does not resolve the question about what happens if an airport leases land initially acquired for a noise compatibility purpose. We would like to work with Congress to address that omission.

Funding of FAA Programs

Provide A Stable Funding Stream for AIP: It is critical that enough money goes into the aviation trust fund to pay airport construction projects. The Administration's FAA reauthorization proposal would dramatically change how the AIP program is funded. Funding for airport improvements would still come from the Airport and Airway Trust Fund. However, money going into the trust fund would come from an increase in commercial and general aviation fuel taxes and revenue generated from international departure and arrival taxes.

The Administration is proposing to increase the general aviation taxes from about 20 cents per gallon to 70 cents per gallon. Of that amount, 13.6 cents per gallon would be used to fund AIP, RE&D and the Essential Air Service (EAS) Program. The remaining amount would be used to finance general aviation's share of the air traffic control system. The proposal also calls for raising the commercial fuel tax from 4.3 cents per gallon to 13.6 cents per gallon and reducing the international arrival and departure tax

from $14.50 to $6.39. All the revenue from these two taxes would be used for AIP, RE&D and the EAS.

Airport executives understand the need for a rational and stable financing system for the FAA. However, airport executives would strongly oppose changing the current financing system in such a way that resulted in *less* money for airports to maintain safe and secure

facilities and prepare for increasing demand. Airport executives want a stable and predictable funding stream for AIP, too. Frankly, they are not convinced that relying on a tripling of general aviation taxes to help pay for airport improvements would provide enough revenue or a stable source of funds.

Under the Administration's proposal, the 7.5% domestic passenger ticket tax and the domestic flight segment fee, which currently fund about 70% of the aviation trust fund, would be eliminated. Asking domestic passengers to help pay for capital development projects at airports through the AIP program has been a key component of the aviation trust fund since Congress helped to create it more than 30 years ago. Many airport executives would strongly oppose eliminating that funding source because they argue that domestic passengers should continue to directly contribute to the aviation trust fund just like international passengers, commercial aviation and general aviation.

The Administration is recommending that commercial and general aviation fuel tax increases go into effect in 2008 and be adjusted for inflation beginning in 2010. However, it is unclear whether the FAA has determined the price elasticity of its fuel tax proposal or precisely how the agency would make up any potential shortfall if the fuel taxes generated less revenue than expected. Moreover, it is uncertain whether Congress would be willing to increase AIP funding or even reject the Administration's proposal to cut AIP funding if doing so translated into even higher gas taxes on general aviation.

Strengthen Budget Protections: Whether Congress decides to keep the current excise tax system in place or call for some new user fees, it is critical that the next FAA reauthorization bill include budget points of order to protect AIP funding. AIR-21 included an airport executive-supported provision that requires all receipts and interest credited to the aviation trust fund to be spent on aviation. It also makes it difficult for Congress to appropriate less than the full amount authorized for AIP.

Those budget points of order have worked reasonably well over the past several years, and we are encouraging Congress to strengthen or maintain them in the next FAA reauthorization bill. Absent these protections, we are concerned that we would return to the days before 2000 when the gap between the amount authorized for AIP and the amount appropriated was routinely quite large.

General Fund Contribution: The Administration's FAA reauthorization proposal calls for not more than $2.6 billion in taxpayer revenue to pay for aviation in FY08 – or about 18.6%. That funding level would decline to $2.5 billion in FY09 and FY10.

During the past 20 years, the General Fund contribution has been as high as 48% and has averaged about 27%. In recent years, however, the General Fund contribution has steadily declined. We strongly believe that Congress should increase the General Fund contribution to 25%.

Improve Service to Small Communities

Although overall passenger levels are continuing to rise, many small communities around country are struggling to retain and attract new commercial air service. In 2005, the General Accountability Office reported that service to large- medium- and small-hubs has largely rebounded since 9/11. However, non-hub airports had 17% less service in July 2005 than they did in July 2000.

In May, 2006, the DOT Inspector General also reported that scheduled flights at small communities for the first 3 months of 2006 were 17% lower than the number of flights scheduled in the same period in 2000. At non-hubs, the number of flights was down 29% from the first 3 months of 2006 when compared to the same period of 2000.

Many lawmakers have repeatedly pointed out that many small communities have suffered since the airline industry was deregulated almost 30 years ago. Congress, the Administration, local lawmakers and all of us in the aviation industry should work together to find ways to address this problem and to ensure that people who live in rural areas have access to the aviation system.

Increase Funding for the Small Community Air Service Development Program: It is disappointing that the Administration's FAA reauthorization proposal does not include any funds for the Small Community Air Service Development Program. Small airports around the country are grateful that Congress helped to create what is now known as the Small Community Air Service Development Program in AIR-21. Since its inception this program has helped small communities that suffer from insufficient air service or unreasonably high fares.

Over the past four years DOT has awarded 150 grants, which have typically ranged from $20,000 to nearly $1.6 million. Last year, the department received 75 proposals from communities in 37 states requesting more than $32 million "to support new and ongoing air service development projects." However, the demand for federal assistance far exceeded the approximately $10 million that Congress approved for the program in the FY06. In August, DOT announced that it had awarded grants that will benefit 28 communities in 22 states.

Considering the number of communities that apply for funds from this program and the continuing pressures on small communities, we are urging Congress to consider making a greater investment in the Small Community Air Service Development Program. Specifically, we are urging Congress to authorize $50 million for the Small

Community Air Service Development Program per year -- $15 million more than Congress authorized for the program per year in Vision 100.

Maintain the Essential Air Service Program: We are also encouraging Congress to maintain adequate funding for the EAS program and to take steps to improve the program as Congress tried to do in Vision 100. Unfortunately, the Administration's FAA reauthorization would limit funding for the EAS Program to just $50 million per year -- $60 million less than the amount Congress approved for FY07. The plan would also cut communities out of the program by limiting service to those: 1) that currently participate in the EAS program; 2) that are more than 70 miles from a large- or medium-hub airport; and 3) where the per passenger subsidy does not exceed $200 if the community is less than 210 miles from a large- or medium-hub airport.

Invest in the FAA's Contract Tower Cost Share Program: Another program that has improved service and safety at airports in small communities is the FAA's Contract Tower Program. This program has been in place since 1982 and currently provides for the cost-effective operation of air traffic control towers at 233 smaller airports in 46 states. Without the Contract Tower Program many simply would not have any air traffic control services at their facilities.

AIR-21 included a provision that created the Contract Tower Cost Share Program, which currently allows 26 airports in 22 states that fall slightly below the eligibility criteria to participate in the program if they provide local funds. We are recommending that Congress authorize $8.5 million for the Contract Tower Cost Share Program in FY08 and increase the amount by $500,000 per year. Doing so would keep the existing towers operating and allow additional airports to participate in the program.

Other Recommendations

Require FAA to Continue to Pay for Space the Agency Uses at Airports: Airport executives strongly believe that the FAA should continue to pay for the space that the agency uses at their facilities just like other airport tenants. Airports do not object to providing land to the FAA for Air Traffic Control facilities without cost. However, they believe that the FAA should continue to pay reasonable rates for space that the agency occupies in airport-owned facilities. For smaller airports, the potential loss of rental revenue – even at below market rates – could have a significant impact on their financial situation. We are encouraging Congress to include a provision in the next FAA reauthorization bill that would require to FAA to continue to pay for the space that the agency uses at airports. This would provide a permanent fix on this issue, which has been addressed annually in the DOT appropriations bill.

Conclusion

Lieutenant Governor Dubie and members of the Aerospace States Association, thank you again for inviting me to participate in this hearing on the Administration's FAA

reauthorization proposal. We look forward to working with you on airport-related issues this year. We also encourage each of you to ask the members of your Congressional delegation to help airports keep pace with increasing passenger demand and skyrocketing construction costs by raising the cap on PFCs and increasing funding for AIP. These actions would help to improve safety, increase capacity and reduce delays at airports around the country.

2007 Airport Legislative Alliance Members
Large Hubs

Baltimore/Washington International Thurgood Marshall Airport
Chicago Department of Aviation
Cincinnati/Northern Kentucky International Airport
Dallas/Fort Worth International Airport
Denver International Airport
Detroit Metropolitan Wayne County Airport
Hartsfield-Jackson Atlanta Int'l Airport
Massachusetts Port Authority
Metropolitan Washington Airports Authority
Miami International Airport
Philadelphia International Airport
Phoenix Sky Harbor International Airport
Salt Lake City International Airport
San Diego International Airport
San Francisco International Airport
Seattle-Tacoma International Airport
The Port Authority of New York and New Jersey

Medium Hubs

Albuquerque International Sunport
General Mitchell International Airport
John Wayne Airport
Kansas City International Airport
Lambert St. Louis International Airport
Louisville International Airport
Manchester - Boston Regional Airport
Memphis International Airport
Norman Y. Mineta San Jose International Airport
Pittsburgh International Airport
Port Columbus International Airport
Portland International Airport
Reno-Tahoe International Airport
Rhode Island Airport Corp.
Tucson International Airport

Small Hubs

Atlantic City International Airport
Bangor International Airport
Baton Rouge Metropolitan Airport
Billings Logan International Airport
Birmingham International Airport
Dayton International Airport
Des Moines International Airport
Fresno Yosemite International Airport
Gerald R. Ford International Airport
Greenville Spartanburg International Airport
Harrisburg International Airport
Huntsville International Airport
Jackson-Evers International Airport
Lexington Blue-Grass Airport
Long Beach/Daugherty Field Airport
Metropolitan Knoxville Airport Authority
N.W. Arkansas Regional Airport Authority
Newport News/Williamsburg International Airport
Quad City International Airport
Santa Barbara Municipal Airport
Sarasota Bradenton International Airport
South Bend Regional Airport
Springfield/Branson National Airport
Tallahassee Regional Airport
Tulsa International Airport
Will Rogers World Airport

Non Hubs/General Aviation

Abilene Regional Airport
Addison Airport
Asheville Regional Airport Authority
Aspen/Pitkin County Airport
Bert Mooney Airport
Bismarck Municipal Airport
Capital City Airport (MI)
Centennial Airport
Charlottesville-Albemarle Airport Authority
Chattanooga Metro Airport
Cherry Capital Airport
Delaware County Airport Authority
Dothan Regional Airport
Durango LaPlata County Airport
Elmira-Corning Regional Airport

Evansville Regional Airport
Fernandina Beach Municipal Airport
Fort Wayne International Airport
Friedman Memorial Airport Authority
Gallatin Field Airport
Glacier Park International Airport
Glynco Jetport
Greater Peoria Regional Airport
Greenbrier Valley Airport
Hector International Airport
Inyokern Airport
Kalamazoo Battle Creek International Airport
Killeen-Fort Hood Regional Airport
Kissimmee Gateway Airport
Klamath Falls Airport
Laredo International Airport
Laughlin/Bullhead Int'l Airport
Mahlon Sweet Field
Marana Regional Airport
McAllen-Miller International Airport
Melbourne International Airport
MidAmerica St. Louis Airport
Monterey Peninsula Airport District
Morristown Municipal Airport
Nantucket Memorial Airport
Napa County Airport
Nut Tree Airport
Provo Municipal Airport
Redding Municipal Airport
Roanoke Regional Airport
Salina Municipal Airport
San Bernardino County/Needles Airport
San Luis Obispo County Regional Airport
Santa Maria Public Airport
Snohomish County Airport/Paine Field
Southern Illinois Airport Authority
Southwest Oregon Regional Airport
Springfield Airport Authority
Toledo Express Airport
Tri-Cities Airport
Tri-Cities Regional Airport, TN/VA
Valdosta Regional Airport
W.K. Kellogg Airport
Wilkes-Barre/Scranton International Airport
Williams Gateway Airport
Wilmington International Airport

STATEMENT OF ED BOLEN, PRESIDENT AND CEO
NATIONAL BUSINESS AVIATION ASSOCIATION
BEFORE THE
AEROSPACE STATES ASSOCIATION
HEARING ON FAA REAUTHORIZATION
MARCH 13, 2007

STATEMENT OF ED BOLEN
PRESIDENT AND CEO
NATIONAL BUSINESS AVIATION ASSOCIATION

My name is Ed Bolen, and I am the President and CEO of the National Business Aviation Association. I am grateful for the opportunity to appear before you today. NBAA commends the Aerospace States Association for holding this important hearing to discuss the future of our national air transportation system. NBAA members have a vital interest in a strong and healthy aviation system.

NBAA was founded 60 years ago to represent companies that utilize General Aviation as a tool for meeting some of their transportation challenges. NBAA and our members are committed to working with Congress to transform and modernize the nation's aviation system. Likewise, we are committed to modernization policies that support the continued growth of each aviation segment, including General Aviation, which plays a critical role in driving economic growth, jobs and investment across the U.S. We strongly support the shared goal of keeping our national aviation system the safest and most efficient system in the world.

General Aviation is an essential economic generator, contributing more than $150 billion to annual U.S. economic output, and directly or indirectly employing more than one million people. Most General Aviation aircraft operating around the world are manufactured in the U.S., and our industry is continuing to build a strong American manufacturing and employment base that contributes positively to our national balance of trade. Congress recognized just how fundamental General Aviation is to our nation's transportation system, rural economies, manufacturing capability, and balance of trade when it passed the General Aviation Revitalization Act a little more than a decade ago.

FACTS ABOUT BUSINESS AVIATION

Business aviation, as many members of the Aerospace States Association know, is an FAA-defined term. According to the FAA, business aviation is the use of any General Aviation aircraft piston or turbine for a business purpose. Business aviation is a vital part of the American economy and our national transportation system. There are some facts about business aviation of which you might not be aware. Business aviation operators encompass a broad cross-section of interests, including businesses, governments, schools and universities, and not-for-profit organizations. Servicing and supporting these organizations are FBO's, maintenance technicians, suppliers and service providers.

Approximately 85 percent of the entities that rely on general aviation to meet a portion of their transportation challenges are small and mid-sized businesses that own and operate a single airplane.

These include businesses like:
Manitoba a small, family-owned metal recycling business in Lancaster, N.Y., which first used a piston-twin airplane and now uses a turboprop to help expand its business beyond its local area. Aero Charter, a thirty-year-old, family-owned company in Chesterfield, Missouri. The owners, who are also the company's pilots, use a mix of business aircraft types, including business jets, piston planes and a turboprop. They serve as the sole provider of air transportation for Mid-America transplant services, an organ-donation company. Business aviation also has a long history of philanthropic activity. Organizations like the Corporate Angel Network arrange free air transportation for cancer patients traveling to treatment using the empty seats aboard business aircraft. They have arranged more than 20,000 flights since their founding in 1981. Similarly, Angel Flight America's seven member organizations and 7,200 volunteer pilots arranged more than 18,000 flights in 2005 *alone* to carry patients to medical facilities. The Veterans Airlift Command uses business aircraft and unused hours of fractional aircraft ownership programs to provide free flights for medical and other compassionate purposes for wounded service members, veterans, and their families. Veterans Airlift finds volunteers in the business aviation community to fly their missions on request and contribute the full cost of their aircraft and fuel for the missions flown.

The community also reliably snaps into action to respond to national crises. In the days and weeks following Hurricane Katrina, our operators provided an outpouring of generosity and assistance. Hundreds of thousands of pounds of supplies were transported into the Gulf Coast region aboard business aircraft, which also were used to transport victims out of harm's way.

The aircraft involved in business aviation are diverse, like the industry itself. For instance, according to statistics by the Aircraft Owners and Pilots Organization, a majority of the hours flown in piston-engine airplanes are for business purposes. Among the turbine-powered airplanes used for a business purpose the Beech King Air is the most common model. The King Air is a twin-engine turboprop that was first introduced in 1965 (see Chart 1). Business aviation tends to fly at altitudes above and below the commercial airline traffic that prefers to operate in the range between 29,000 feet and 39,000 feet. We also tend to use different airports. In fact, General Aviation represents less than 5 percent of the total operations at the nation's 20 busiest commercial airports. The ability to use smaller, less-congested facilities is key to the value and flexibility of business aviation aircraft.

FAA REAUTHORIZATION
We in business aviation are united with the rest of the General Aviation community in our grave concern about legislation the FAA recently unveiled, which the Agency calls the Next Generation Air Transportation System Financing Reform Act of 2007.

The FAA and the nation's big airlines are promoting this user fee proposal as a forward-looking "modernization bill." But to everyone who was around the last time the nation's big airlines pushed a user fee scheme in Congress, there is a strong sense of déjà vu. Some of you may remember that, in 1997, the nation's seven largest airlines pushed for a user fee scheme that would shift $600 million in taxes onto what they viewed as their competitors the low-cost airlines. But, according to one airline CEO at the time, the real goal was "control of the FAA by the Big Seven and for their exclusive benefit."

This time around, the airlines have picked a new target for their tax shift General Aviation, and they have increased the amount to $2 billion. The objective of reducing Congressional control of the FAA remains unchanged. The airlines have not been secretive about their goal of reducing Congressional control. One year ago today, the Air Transport Association (ATA) called a press conference where, according to *The Wall Street Journal*, their chief lobbyist was quoted as saying: "We need to get Congress out of this process."

Lest anyone think ATA was misquoted, the association said again in August at an Airports conference in Florida, "it is critical we have a governance structure that is, to the best of our ability, free of the pressures of Congress." As I indicated earlier, the proposed bill is being promoted by the FAA and the big airlines as a modernization bill. Let me be clear, the General Aviation community, including business aviation, takes a backseat to no one in terms of pushing for modernization. Our motivation is simple every time airports or airspace get congested, it's General Aviation that is the first to get squeezed out.

It wasn't that long ago that Midway Airport in Chicago was a great General Aviation airport with flight schools, flying clubs, and so forth. Then, low-cost carriers began using the airport, forcing General Aviation flights to go elsewhere. This same scenario has been repeated in San Jose, California and Manchester, New Hampshire, and it is happening in Fort Lauderdale, Florida.

In order to expand system capacity, General Aviation has been at the forefront of the modernization effort. We were early adopters of GPS navigation systems. We worked to develop the ADS-B test program in Alaska a test program that is now the foundational technology of the modernization effort. Just two years ago, General Aviation operators collectively spent millions of dollars equipping their airplanes with new altimetry so that we could double the capacity of our en-route airspace.

We are also working closely with the Joint Planning and Development Office to define and implement the Next Generation Air Transportation System. Because of its deep involvement in the modernization process, NBAA has as much knowledge and visibility into FAA modernization process as any industry organization in the country. It is with that knowledge and visibility that I can tell you without hesitation that this **FAA/airline bill is NOT a modernization bill**.

Let's look at the facts:
This proposal cuts FAA funding by $600 million in 2008 alone. It caps the use of general taxpayer revenues the General Fund contribution below what it is today and further reduces the General Fund contribution in out years. It takes money that could be used for air traffic control transformation and diverts it to assess and collect user fees. Whether the bureaucracy is built inside the government, or outside through contractors, money must be used to create and maintain this new assessment and collection bureaucracy.

It also authorizes the FAA to go up to $5 billion in debt starting in 2013. This FAA proposal does not outline the technologies, the timelines or the costs of the next phase of modernization. So: rather than modernizing, this bill cuts FAA funding by $600 million, reduces the General Fund contribution by hundreds of millions, and diverts money that could and should be spent on runways, towers and modernization technologies and wastes it on a new bureaucracy. After all that, it allows the FAA to go into debt.

This is not a modernization bill. Worse still is the fact that this bill is based on a flawed and unprecedented cost allocation study. By FAA's own admission, they have abandoned all economic principles for how to allocate costs to different users in favor of a simple accounting approach. No other nation uses such an approach for allocating air traffic control costs or for setting user charges or taxes. In fact, the FAA's new approach runs counter to international guidelines. The International Civil Aviation Organization states:

"... it is particularly important to recognize that the major part of the air navigation facilities and services infrastructure has been established to serve the requirements of commercial air traffic, and that some users receiving extensive service could not, by reason of the nature of their activity, have called for the provision of service on such a scale on an economic basis. "The primary beneficiaries among the users should therefore be carefully identified to ensure that realistic allocations of costs to the various user categories are made."

This is a very serious issue. As you know, the FAA has proposed in its legislation that all future fees and charges must be based on its own cost allocation study. Any errors in the study or its methodology will put at risk many segments of our nation's air transport industry and those communities around the country that are dependent on them.

So, if this is not a modernization bill, what is it?
This proposal is an effort by the FAA and the airlines to reduce Congressional authority and move toward commercialization. I have already reminded you what the big airlines' goal was in 1997, and what they have said their goal is today: basically to shift their costs and reduce Congressional control. Their public comments suggest that Congress is an impediment to modernization and that the

authorization/appropriation process is too unstable and unpredictable to allow for modernization.

The facts tell a different story.
FAA funding has steadily increased over the past decade, often in excess of the amount the FAA has requested (see Chart 3). Moreover, there has never been an FAA modernization program that has ever failed for a lack of Congressional support or funding. Even this year, Congress is funding the FAA's two Next Generation Air Traffic programs System Wide Information Management, or "SWIM," and ADS-B in excess of what the FAA requested. In our view, the battle over aviation user fees is a battle over whether Congress will retain control of the air traffic system or whether that control will shift to unelected bureaucrats or even industry.

Aviation user fees would reduce Congressional authority and put us on the slippery slope toward commercialization. In fact, last August, the Reason Foundation published an article in support of aviation user fees that said "user fees are the essential precondition to commercialization." The General Aviation community urges you not to establish that precondition. Instead, we urge Congress to produce a real modernization bill that retains Congressional authority over air transportation in the United States. The continued transformation of the system is a primary focus of the General Aviation community. In our view, this debate should not be about winners and losers, but about building a system that can meet all future demand.

Modernization is not one "big bang" it's not purchasing a big new piece of technology and plugging it in. It is a stable transformation of our communication, navigation and surveillance systems. It has been said that modernization could cost somewhere between $300 million per year and up to one billion dollars per year in new spending (although the FAA itself is proposing a little less than $200 million in modernization spending in FY09). If those numbers are in the ballpark, we are talking about an annual increase in the FAA's current budget of between 3 percent to 8 percent (see Chart 4). If that is what is needed, then it seems Congress has a least 5 options for getting there:

1) Congress can direct the FAA to make modernization a priority and find 3 to 8 percent of its budget that can be redirected to modernization without compromising system safety or efficiency. Most multi-billion-dollar budgets, whether in the government or the private sector, include some non-essential spending that can be redirected. In fact, businesses are often faced with unexpected or new priorities and must meet these challenges within existing resources. A re-ordering of priorities in the range of 3-to-8 percent of a budget is not excessive.

2) Congress can declare modernization a national priority and increase the general taxpayer revenues supporting modernization. Increasing the General Fund contribution from 19 percent of the FAA's total budget to 25 percent would fully pay for even the high-end estimates of modernization. The last time that Congress fully debated an appropriate General Fund contribution, in 1990, it was determined that 25 percent was the correct amount to cover the public benefits of a strong national aviation system

including national defense, emergency response, postal service, medical emergencies, local commerce and interstate commerce.

3) Congress can increase the existing aviation excise taxes across the board.

4) It can do some combination of the above; or

5) It can scrap a Congressional process that has allowed the United States to be the world's leader in all aspects of aviation for decades, and has given the U.S. the largest, safest, and most efficient air transportation system in the world, and replace it with a radical scheme that will reduce Congressional authority, divert millions of dollars to establish a massive new bureaucracy (either inside or outside the government), dilute the FAA's focus on safety by giving it the authority to assess and collect revenues, and put us squarely on the path toward commercialization. Expanding the capacity of our nation's air transportation system to accommodate demand can and must be a national priority. But no one should mistake aviation user fees with a modernization plan (see Chart 5).

We urge the Congress to immediately reject aviation user fees in any form and begin focusing on how we work within the established Congressional process to expand system capacity to enhance mobility for all Americans. NBAA looks forward to working with the Aviation Community and the Congress to accomplish this critical national goal.

U.S. Registered Business Aircraft
#1

Average Annual Hours Per Aircraft
4000
3805
3500
ircraft) 3000
Aer 2500
(Prs 2000
uoHf 1500
oer 1000
bum
370
500
N
0
Commercial Airline
GA Turbine (Part 91)
Source: Aviation Daily
#2

#3

Funding Requirements
$25
$20
$15
Current Excise
Taxes
$10
Current
General Fund
$5
Contribution
$0
(In Billions)
Current
Next
System
Generation
#4
FAA FY 2007 CR Level

The GA fuel tax is the most simple and efficient mechanism for reflecting system use and generating revenue to support the aviation system.
GA FUEL TAX USER FEES Prepay for Use Post-pay for Use
Government No Bureaucracy to Create IRS Branch of FAA
Perspective
Administer
Dilutes Focus by
Keeps Focus on Safety
Adding Revenue Collection
Easy to Understand
Confusing Formulas
No Processing Costs/Burden
Processing Costs/Burdens
User Perspective
Subject to
Fair For All Users
Government Manipulation
Linked to Use
Linked to Use
Simple Congestion Deterrent
Complicated Approach
Policy Perspective to Congestion
Environmentally Neutral

Pro-Environment
#5

Aerospace States Association
Reauthorizing & Funding FAA

Regional Airline Association

Roger Cohen
March 13, 2007

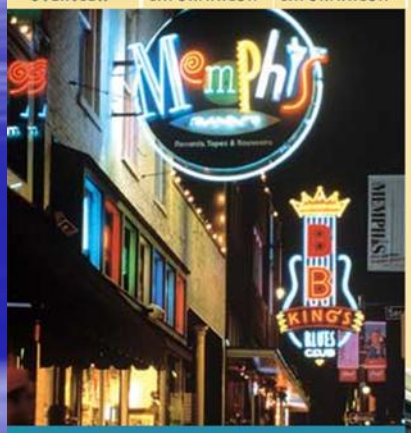
www.raa.org

(202) 367-1170

RAA at a glance

- Founded in 1975
- 42 Airline members
  - 12 person Board of Directors
- 97% of regional passengers
- 250 Associate Members
  - 8 countries, 40 U.S. states
- *Regional Horizons*, Annual Report
- RAA Annual Convention
  - May 21-24, Memphis, TN

CONFERENCE OVERVIEW | ATTENDEE INFORMATION | EXHIBITOR INFORMATION | SPONSORSHIP INFORMATION | EVENTS | SCHEDULE AT-A-GLANCE | MEDIA INFORMATION | FREQUENTLY ASKED QUESTIONS



2007 RAA Annual Convention

Memphis, TN
May 21–24, 2007

PHOTOS COURTESY MEMPHIS CONVENTION & VISITORS BUREAU

Regional Airline Facts

- 158 million passengers carried in 2006
- 23% of all U.S. domestic passengers
- 58,000+ U.S. employees
  - 5.2% *growth* post 9-11, vs -26.2% network airline job loss

Source: BACK Aviation, US DOT BTS data

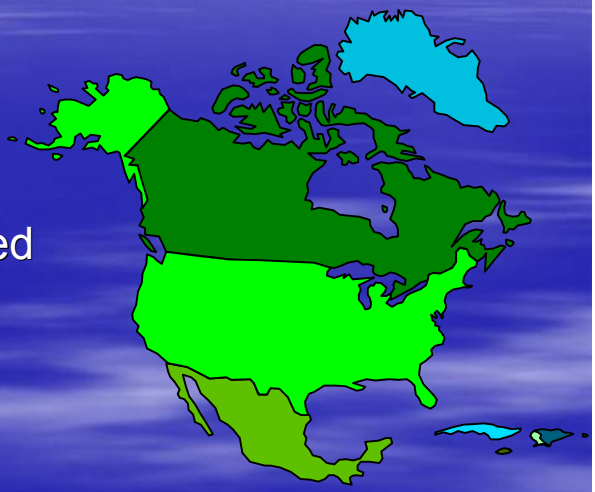
Regional Airline Facts

- Regional airlines fly 2,350 aircraft, nearly 40% of the U.S. commercial airline fleet
  - Additional 450 a/c, >9 seats, mostly AK
- 1700+ jets carry 85% of regional passengers
- 14,000 daily flights - 48% of U.S. total

Source: BACK Aviation

Regional Airline Service

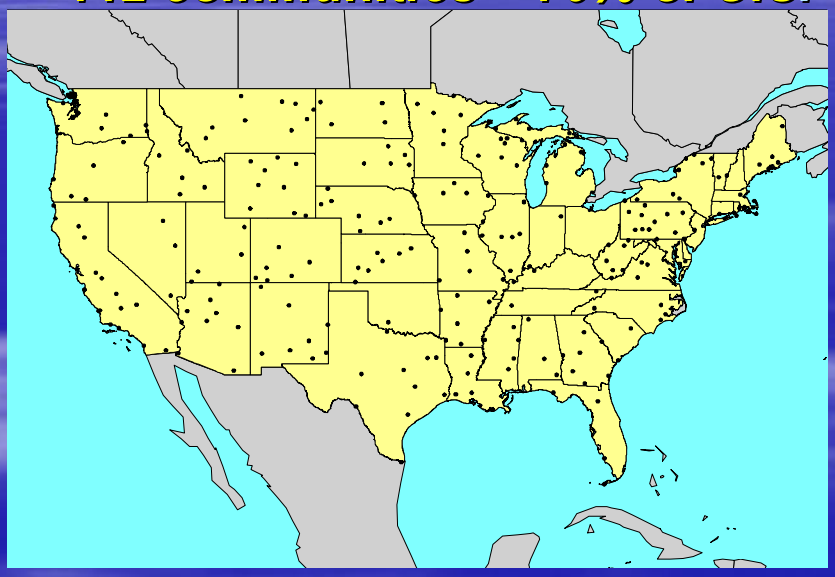
- 900+ airports in North America
- 650 airports in the United States



Source: Back Aviation

Regional Airline Facts

Regional Airlines Provide the ONLY flights in 442 communities – 70% of U.S.



RAA Goal: Protect Community Flights

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FOR IMMEDIATE RELEASE
March, 7, 2007

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Regional Airlines Call upon Congress to Protect Air Service to Small and Medium-Sized Communities

Washington, DC – The Regional Airline Association (RAA) today responded to the Federal Aviation Administration (FAA) Reauthorization proposal and urged Congress to protect air service to small and medium-sized communities. Regional airlines fly to more than 600 U.S. communities and, at some 70 percent of these communities, regional airlines provide the only link to the U.S. air transportation system. RAA urges Congress to protect this air service when considering the FAA's recent Reauthorization proposal and to consider its unintended but significant adverse consequences for small and medium-sized communities.

"Regional airline growth has gone somewhat unheralded, but it is so vital that today more than one in five U.S. passengers is relying and flying on a regional airline," said RAA President Roger Cohen. "Our member airlines are delivering safe, convenient and affordable flights to every corner of this country, and we're providing the only scheduled flights to the whole spectrum of destinations: from the Grand Canyon to Key West; from statehouses in Montgomery, Helena, Augusta and Charleston to universities in Gainesville, Champaign and Charlottesville."

RAA urged Congress to consider five basic principles during deliberation of FAA program reauthorization and reform:

1. Preserve today's excellent network of scheduled service to small and medium-sized communities;
2. Transition to NextGen air traffic system improvements, but first maximize efficiencies from the existing system and quantify the new system's costs and benefits;
3. Ensure non-airline users -- particularly corporate, fractional and business users -- pay a more representative share of the costs these users impose on the system;
4. Protect robust airport funding that is dedicated to tangible safety and capacity benefits, with greater user input into airport expenditures;
5. Honor the promise made to rural communities during airline deregulation by fully funding and maintaining appropriate oversight of the Essential Air Service Program.

"FAA's people have put forth a stellar effort trying to develop innovative approaches," said Cohen, "but we fear the proposed legislation could make flying more expensive, less convenient, or altogether unavailable to more than 150 million Americans and 600 communities who rely on regional airlines as a vital link to the nation's air transportation system."

The Regional Airline Association represents U.S. regional airlines, and the manufacturers of products and services that support the industry, before the Congress, DOT, FAA and other federal agencies. Founded in 1975, RAA also provides a wide array of technical and promotional services to regional airlines. The association's member airlines transport 97 percent of total regional airline industry passengers.

today's Regional Airlines: **taking flight** everywhere you want to go

Safe, Convenient, Affordable

1. Preserve service to small & medium-sized communities
2. "Yes" to NextGen, but first…
   - maximize efficiency of current system
   - quantify future costs & benefits
3. "Split the check" fairer
   - Airlines use 65%, pay for 90+%
4. Maintain robust Federal airport funding
5. Honor the EAS promise

Statement of the National Air Transportation Association

before the

Aerospace States Association

Hearing on

The Reauthorization of the Federal Aviation Administration

March 13, 2007

2253 Rayburn House Office Building

Washington, DC

Appearing for NATA: James K. Coyne, President

The Voice of Aviation Business

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National Air Transportation Association

Lieutenant Governor Dubie and members of the Aerospace States Association, it is my pleasure to address you today to discuss NATA's priorities for the next legislation to reauthorize the Federal Aviation Administration (FAA).

My name is James K. Coyne, and since 1994 I have served as the President of the National Air Transportation Association (NATA). NATA, the voice of aviation business, is the public policy group representing the interests of aviation businesses before Congress, federal agencies and state governments. NATA's 2,000 member companies own, operate and service aircraft. These companies provide for the needs of the traveling public by offering services and products to aircraft operators and others such as fuel sales, aircraft maintenance, parts sales, storage, rental, airline servicing, flight training, Part 135 on-demand air taxi, fractional aircraft program management and scheduled commuter operations in smaller aircraft. NATA members are a vital link in the aviation industry providing services to the general public, airlines, general aviation, and the military.

As Congress begins the arduous task of writing this important piece of legislation, I think it is important first to take a look at an issue within aviation on which we all agree. All of us testifying before you today believe that modernizing the nation's air traffic control system is an absolute necessity. With air traffic reaching record levels in both the commercial airline and general aviation sector, it is imperative that Congress and the FAA work together to create a vision that will accommodate all facets of the industry. Certainly there are disagreements within the industry about how the next generation system will be paid for and implemented, but it is my belief that there is still the possibility of a strong consensus among the industry leaders for a vision for the future in which we all benefit.

The FAA's Financing Proposal

While we all agree with the need to modernize the system, how such modernization efforts will be financed has remained the chief point of contention among industry representatives. After months of statements calling for serious changes to the current Airport and Airway Trust Fund financing structure, the FAA finally released the Administration's reform proposal on February 14, 2007. The proposal, which calls for a tripling of all fuel taxes and the implementation of a user fee system in lieu of the current passenger ticket tax, undoubtedly represents a dramatic shift in cost from the commercial airlines to unscheduled operations, including general aviation, business aviation, and on-demand air charter operators. Such large tax increases, combined with the user fees that all users of the system will bear, place the general aviation community at a significant disadvantage in a variety of ways.

The large taxes increases, to 70 cents per gallon for all general aviation aircraft and 13.6 cents per gallon for commercial operations, will have significant adverse effects on all NATA members. A tripling of the fuel tax for general aviation aircraft, combined with the additional registration, certification, and air traffic fees in some areas, will ultimately price many current and future pilots out of the industry and lead to a dramatic decrease in general aviation activity overall. In many cases, recreational pilots will curtail their flight activity because of the increased costs. Many potential pilots will see the long list of

registration fees and decide against taking up such an endeavor. The subsequent large drop in general aviation activity will have ripple effects throughout the economy, starting with the ground services businesses represented by NATA. These businesses will be on the front line of the economic downturn certain to hit the general aviation industry if the FAA plan is implemented.

The proposed user fee structure also places Part 135 charter operators and fractional ownership providers at a significant disadvantage. The user fee system proposed by the FAA will most likely require the agency to submit millions of invoices per year to affected operators for their use of the air traffic control system. While the verification and payment of such invoices may be easy for large airlines, who possess the economies of scale to hire staff dedicated to checking and paying the invoices they receive from the FAA, charter and fractional ownership providers do not have this luxury. Ninety percent of all on-demand air charter operators are classified as small businesses, owning fewer than 10 aircraft and employing fewer than 25 people. These businesses will not have the ability to hire staff to handle the thousands of invoices they expect to receive each year. Furthermore, calculating the user fees for each flight will be much more challenging for charter and fractional ownership providers, who service up to 5,000 airports in the country, compared with the approximately 400 airports served by commercial airlines. With such a large number of small businesses operating in a vast network of airports, the FAA will be required to spend a disproportionate amount of time collecting fees from smaller charter and fractional ownership providers, which wastes valuable resources for both the industry and the FAA.

On-demand air charter operators would be saddled with an enormous administrative cost of floating the FAA over fifty cents per gallon on all fuel purchased, which amounts to an interest-free loan to the agency. Currently, commercial airlines, due to their large size and consolidated operations, are able to register with the IRS to purchase their fuel directly at the commercial fuel tax rate, 4.3 cents per gallon. Charter and fractional operators, however, do not have this same benefit. Because such operators are not able to purchase fuel in such large quantities, they must first pay the standard general aviation fuel tax rate, 21.9 cents per gallon, and apply to the IRS for the difference in the 21.9 cents per gallon paid and the 4.3 cents per gallon owed. Charter operators have enough trouble floating 17.6 cents per gallon to the government under the current structure. Imagine if that float balloons to 56.4 cents per gallon. Charter operators will find themselves in an untenable situation having to apply to the government for such massive refunds.

The requirement that all users, both general aviation and the airlines, will have to pay user fees for use of the airspace surrounding the nation's 30 largest airports is completely unacceptable. Such a policy fails to consider the valuable role reliever airports play in our nation's air transportation system as a tool for general and business aviation aircraft. Hundreds of businesses located at these reliever airports, many of which share airspace with these large airports, as well as the chief users of these smaller airports will suffer tremendous losses. Any fees regarding congestion mitigation at such large airports must absolutely be restricted to activity at the airport itself, not the surrounding airspace.

Should Congress opt to implement a user fee system in lieu of the current ticket tax structure, NATA strongly recommends that on-demand air charter operators and fractional ownership providers be allowed to pay into the trust fund via the general aviation fuel tax. In stating that each sector of the industry would be allowed to contribute via its "preferred" method, the FAA did not consult the charter industry as to what their preferred method was. Allowing charter operators to pay through the fuel tax (and any relevant segment fees) would save the industry, the FAA and the Internal Revenue Service valuable resources. The FAA would be able to collect fees much more efficiently, by having to focus only on the scheduled airlines flying into a much smaller number of airports.

Airport Improvement Program

In addition to the ill-advised financing changes proposed by the FAA, the Administration also proposes to cut the Airport Improvement Program (AIP), one of the government's greatest success stories. The Airport Improvement Program is the lifeblood of our nation's aviation infrastructure development, helping airports of all sizes make the necessary capacity expansion and safety improvements that have enabled our air transportation system to remain the best in the world. The cuts proposed by the FAA will almost certainly hit smaller airports the hardest, as priority is given to expansion projects at larger airports. Even with the elimination of the entitlement for large and medium hub airports in lieu of an increased Passenger Facility Charge (PFC) collection, it is imperative that Congress continue to fund AIP fully to ensure that all airports are provided with the federal support they need to keep pace with the rising demand.

NATA is supportive, however, of the Administration's proposal to revise the general aviation entitlement program to a tiered structure based on airport activity. Such a policy change recognizes the vast diversity of the approximately 5,000 general aviation airports throughout the country. The FAA's proposal would give the largest general aviation airports $400,000 annually, and the smallest eligible airports $100,000, compared with the flat rate of $150,000 each airports currently receives. However, the smallest airports in the tiered structure should still receive $150,000, so no airport receives less in AIP funds in the future than it does today.

Safety Initiatives

NATA also sees this reauthorization as an opportunity to improve further the safety of the general aviation community and the on-demand air charter industry. As the FAA moves forward with the development and implementation of Safety Management Systems for the charter and business aviation industry, similar to those already in place for commercial airlines, NATA recommends that the FAA embrace public-private partnerships with the aviation industry to help promote safety initiatives. For example, Congress appropriated $1 million in fiscal year 2006 for the development of NATA's Safety Management System for Air Charter, which has begun a valuable program for the Part 135 industry. The FAA has publicly stated its desire for the agency to require such

safety management systems across the entire aviation industry, and the upcoming reauthorization provides a great opportunity to begin this bold initiative.

As Congress moves forward with this critical piece of legislation, NATA looks forward to working with representatives from Capitol Hill, the President's Administration, and state and local government representatives to help build a consensus for a bill that will benefit all aviation users. All of us know that ultimately it is the traveling public that will realize the benefits of an improved air traffic control system, and we must always keep our customers in mind when considering the implications of such an important bill. I look forward to working with the Aerospace States Association on any issues you may have in regards to the reauthorization.

Thank you again for the opportunity to testify, and I look forward to any questions you may have.

NASAO 2007 NATIONAL LEGISLATIVE AGENDA

REAUTHORIZATION PROVIDES CONGRESS WITH AN OPPORTUNITY TO STRENGTHEN AMERICA'S AIR TRANSPORTATION SYSTEM

Together, the federal and state governments and aviation professionals in both the public and private sector have carefully built the safest, strongest and most efficient transportation network in history. All Americans derive the significant benefits of this system which has become a foundation of our national economy. It provides efficient air travel for both airline and general aviation users while supporting the national defense, homeland security, postal and cargo delivery, emergency medical transportation and disaster relief. We must continue prudently investing in our national aviation infrastructure, while preparing for a three-fold increase in demand over the next twenty years.

NASAO encourages Congress to reauthorize a five year FAA and AIP program and reauthorize the underlying taxing mechanisms for ten years. This pattern has worked very well historically and a five-year funding program is highly appropriate since most airports develop and maintain five-year Capital Improvement Programs. It also permits Congress to perform timely course corrections when needed

NASAO recommends reauthorizing AIP at $3.8 billion for FY 2008. Since infrastructure maintenance and development programs are often planned for many years and there are approximately $14 Billion dollars in needs annually, NASAO recommends continuing the AIR 21 and VISION 100 patterns of increasing investments each year to $ 3.9 billion in AIP for FY 2009, $4.0 billion for FY 2010, $4.1 billion in 2011, and $4.2 billion in 2012. This would provide states and airports a stable and predictable planning horizon.

NASAO encourages Congressional oversight to ensure that FAA continues the current formula and fully funds state apportionment. State apportionment has always been an important part of efficient funding system for the nation's smaller airports.

NASAO recommends that Congress continue the non-primary airport grant program. Created by AIR - 21 ($150,000 per eligible General Aviation airport), this program has been successful in assisting the nation's smaller but equally valuable General Aviation airports. These airports relieve traffic at the largest airports while providing all Americans with access to the national air transportation system.

NASAO joins with other leading aviation organizations in calling for a robust investment in FAA funding from the General Fund and recommends a 30% General Fund share. Since all Americans benefit by the national air transportation system, all Americans should have a financial stake in it. As designed by Congress, the AIP Trust Fund was not originally intended to fund FAA salaries and operations; it was designed to invest only in airport infrastructure development and maintenance. A 30% General Fund contribution is highly appropriate.

The Essential Air Service program is important to many rural areas and Congress should continue to fund this program with a minimum of $127 million. The US DOT should also be able to adjust subsidies to reflect cost increases, or decreases, for the airlines.

NASAO asks congress to preserve the efficient network of more than 3,000 airports of all sizes, across the nation, by continuing their AIP eligibility. NASAO notes that the airline industry has called for eliminating AIP funding for airports that the airlines do not currently serve. These airports provide all Americans with access to goods, services and travel options only available through a truly national network of airports.

NASAO encourages Congress to continue to fund the Joint Planning and Development Office. NASAO is proud to serve on the JPDO's Next Generation Air Transportation System Institute Management Council (JPDO-NGATS-IMC). Since the inception of the JPDO and Congress' investment in NGATS, NASAO has supported NGATS as the best and most appropriate vehicle to shape a bright future for our nation's air transportation system.

NASAO strongly urges Congress to repeal the provision of the 2005 Transportation Equity Act: a Legacy for Users" which diverts jet fuel tax revenue *from* The Airport and Airway Trust Fund and *into* the Highway Trust Fund. Congress may want to consider holding hearings on this issue separate and apart from reauthorization hearings.

NASAO advocates raising the cap on Passenger Facility Charges to $7.50 and providing airports more flexibility in the use of these funds. Several NASAO members operate large airports such as Baltimore Washington International Thurgood Marshall Airport. These airports, which enjoy the support of PFCs, have found their value waning in recent years because the charges are fixed at $4.50 and have been outpaced by rapidly increasing construction costs.

NASAO strongly urges Congress to resist calls by the administration and the airline industry to scrap the existing aviation tax system. Contrary to their campaign, the system is not broken. The excise tax on airline tickets continues to flow into the trust

fund. Both ticket prices and passenger traffic are increasing. (Ticket prices were raised ten times in 2006 alone). If truly necessary, the current 7.5% excise tax could be raised (in the past it was 10%) or indexed.

In testimony before Congress, the Congressional Budget Office has stated that the existing system is adequate for modernizing the air traffic control system. While the airlines and the administration have repeatedly called for a "new, stable and predictable" funding system for FAA and AIP, NASAO notes that Congress, for more than a decade, has provided the national air transportation system with funding that has been both predictable and stable and that funding has generally increased in each succeeding year. NASAO prefers the present, proven, system over any of the recently floated proposals.

NASAO is opposed to any new user fees for General Aviation. Today's General Aviation fuel tax is elegant in its simplicity. General Aviation pays its taxes at the fuel pump. Larger General fuel and pay more into the system. Frequent General Aviation flyers use more fuel and pay more taxes. There is no need to build an expensive and inefficient new bureaucracy to calculate and collect new user fees. NASAO observes that General Aviation represents only 3% of the traffic at the nation's largest airports. Further, while the airline industry and some in the administration would have you believe that General Aviation adds to air traffic delays, it is abundantly clear that the top 20 airports served by commercial airlines and the top 20 airports served by General Aviation are two totally different lists.

NASAO recognizes, with appreciation, Congress as providing the national aviation system with fair, stable and predictable funding and appropriate oversight. The final responsibility of this wide ranging and diverse system rightly rests with Congress. **NASAO stands in opposition to any new scheme which would remove this governance responsibility from the United States Congress.**

# # #

January 26, 2007

Aerospace States Association (ASA)

“FAA Reauthorization and Funding

Hearing held in House Rayburn Building

Tuesday, March 13, 2007

Bios of Congressional and Administration:

Honorable Thomas E. Petri – Ranking Member, House Subcommittee on Aviation
Mr. Dan Elwell, - Assistant Administrator of Aviation Policy, Planning, and Environment, Federal Aviation Administration
Honorable Mary Fallin - Member, House Committee on Transportation & Infrastructure
Honorable John Mica - Ranking Member, House Committee on Transportation & Infrastructure

Bios of Industry:

Mr. James C. May – President and CEO, Air Transport Association (ATA)
Mr. Todd Hauptli – Senior Executive VP, American Association of Airport Executives (AAAE) and Airport Legislative Alliance (ALA)
Mr. Edward M. Bolen – President, National Business Aviation Association (NBAA)
Mr. James K. Coyne – President, National Air Transportation Association
Mr. Henry Ogrodzinski – President and CEO, National Association of Sate Aviation Officials (NSAO)

PROFILE SUMMARY:
A BRIEF BIOGRAPHY OF REP. TOM PETRI

Tom Petri, who represents Wisconsin's 6th Congressional District, is serving his 15th term in the U.S. House of Representatives. First elected in April 1979, Petri has been returned to office every two years since.

Petri is the Ranking Republican on the Aviation Subcommittee of the House Transportation and Infrastructure Committee. He served for 12 years as Chairman of that committee's Highways, Transit and Pipelines Subcommittee and of an earlier subcommittee with similar responsibilities.

He is a former Vice Chairman of the Transportation and Infrastructure Committee and of the House Committee on Education and the Workforce, now named the Committee on Education and Labor.

From 1987 through 1990, Petri served as a member of the Committee on Standards of Official Conduct, better known as the House Ethics Committee.

Petri is a former Chairman of the House British-American Parliamentary Group, an official organization formed to strengthen relations with the British Parliament.

A persistent foe of government waste, Petri has repeatedly earned high marks from such organizations as the National Taxpayers Union, the Concord Coalition, Citizens Against Government Waste, Americans for Tax Reform, and the Watchdogs of the Treasury. Over many years he has repeatedly been named a "Guardian of Small Business" by the National Federation of Independent Business, and has won the "National Security Leadership Award" from the American Security Council.

Petri is known for his efforts to apply innovative solutions to problems, with a firm commitment to cost-effectiveness. Accordingly, Norm Ornstein, a prominent political scholar and expert on Congress has called Petri "one of the most thoughtful members of Congress, filled with lots of ideas about how to make government better," while senior Washington Post columnist David Broder has called him "a notably independent, creative legislator.

Important Petri legislative initiatives have included those in the areas of student loan reform, the allocation of money for federal highway spending, cost-sharing for federal water projects, tax and welfare reform, banking policy, campaign reform, and health care reform. The 1996 Almanac of American Politics states that Petri specializes in "thoughtful and original solutions to problems" which "cut across ideological and party lines."

Petri attended Goodrich High School in Fond du Lac and received undergraduate and law degrees from Harvard. He served in the Peace Corps and in the White House focusing on anti-drug efforts. He is married to Anne Neal Petri and has one daughter, Alexandra.

Daniel K. Elwell was appointed to serve as the FAA Assistant Administrator for Aviation Policy, Planning, and Environment, effective August 7, 2006.

Reporting directly to FAA Administrator Marion C. Blakey, Dan Elwell heads an office responsible for the agency's strategic policy and planning efforts and coordination of the agency's reauthorization before Congress. In addition, his office is responsible for national aviation policies and strategies in the environment and energy arenas, including aviation activity forecasts, economic analyses, aircraft noise and emissions research and policy, environmental policy, aviation insurance and employee safety and health.

Mr. Elwell came to the FAA from American Airlines where he served as Managing Director of International and Government Affairs since October, 2002. At American Airlines, Mr. Elwell was the corporate representative and consultant to Departments of Transportation and State on bilateral and multilateral aviation negotiations; international dispute resolution, and international alliances. He was responsible for the political health and status of international codeshare agreements and worked directly with key House and Senate staffers on historic legislation such as Homeland Security Bill, Iraq War Supplemental, and the Aviation and Transportation Security Act.

As a pilot, Captain Dan Elwell has aeronautical ratings in DC-10, MD-80, and B-767 aircraft. Before joining American Airlines he flew active duty for the Air Force for seven years, and retired from the Air Force Reserve in 2004 as a Lieutenant Colonel. He is a graduate of the United States Air Force Academy and the Georgetown Government Affairs Institute Congressional Fellowship Program.

Dan lives in northern Virginia with his wife and three children.

Biography of Congresswoman Mary Fallin

Mary Fallin represents the Fifth District of Oklahoma, which includes most of Oklahoma County and all of Pottawatomie and Seminole Counties. Overwhelmingly elected in November 2006, Fallin is the first woman to represent Oklahoma in Congress since 1920. She currently serves on the Small Business Committee and the Committee on Transportation and Infrastructure.

History in Public Office

Fallin is no newcomer to public service; she first took office in 1990 as a state legislator. During her two terms as a State Representative she was recognized by the American Legislative Exchange Council as Legislator of the Year and named Guardian of Small Business by the National Federation of Independent Business.

Fallin became Oklahoma's first woman and first Republican Lieutenant Governor in 1995. She pursued an aggressive agenda focusing on economic development, education, health care and government reform during her 12 years in office. Fallin worked to promote economic growth and increase economic opportunities for Oklahomans throughout her three terms as lieutenant governor. In the Cabinet-level position of small business advocate during the Keating administration, Fallin championed the cause of small business in Oklahoma by fighting the rising cost of health insurance and excessive government regulation. Fallin was also instrumental in starting the Oklahoma Aerospace Summit & Expo, Small Business Day at the Capitol and Telecommunications Day at the Capitol.

Fallin has also worked hard to keep Oklahoma's children safe and ensure them a bright future. In the wake of the tragic Oklahoma City bombing, she formed a task force to rebuild the childcare center lost in the disaster. Fallin also initiated Project Homesafe, a gun safety program that has distributed more than 80,000 free cable gun locks to Oklahomans. Fallin joined the Federal Drug Enforcement Administration and other women leaders in government in June 2002 to kick off a national Club Drug Awareness Campaign aimed at fighting drug use and educating parents and teens about the growing use and danger of drugs like ecstasy.

Personal Story

Fallin comes from a family with strong ties to public service. Her mother and father both served terms as mayor of Tecumseh, where she was raised. Her hometown and current residence in Oklahoma City make Fallin a life-long resident of the Fifth District. She is a graduate of Tecumseh High School and attended Oklahoma Baptist University in Shawnee. Fallin also holds a degree from Oklahoma State University. She and her two children, Christina and Price, make their home in Oklahoma City, where they are active members of Crossings Community Church.

James C. May
President and Chief Executive Officer

Air Transport Association of America, Inc.

James C. May is President and Chief Executive Officer of the Air Transport Association of America, Inc. (ATA), the nation's oldest and largest airline trade association. May joined ATA on February 3, 2003.

Prior to joining ATA, May served as Executive Vice President of the National Association of Broadcasters (NAB). In that position, he oversaw the formulation and implementation of the public policy and government relations' objectives of the association, serving as its principal contact with members of Congress and the administration.

Previously, he was Vice President, Public Affairs, for the Coca-Cola Bottling Company of New York (1984-88), where he established the Public and Government Affairs Department. From 1982-84, he directed government relations for PepsiCo, Inc, where he was responsible for lobbying, in addition to managing PepsiCo's successful initiative and referenda campaigns.

In Washington, DC, he served as Vice President, Public Affairs (1977-82) and previously as Manager of State Public Affairs (1973-75) for the Grocery Manufacturers of America, Inc., where he developed the structure that led to the industry's winning grassroots lobbying campaigns.

In 1976, May was Eastern Washington State Coordinator of the President Ford Committee and a candidate for the U.S. House of Representatives in Washington's 4th Congressional District. In 1980, he served on President Ronald Reagan's transition team.

As captain in the U.S. Marine Corps from 1967-71, May commanded an infantry company in Vietnam.

Currently, he is a member of the Advisory Board of Directors for the Hollings Cancer Center. Additionally, he is a trustee for the United States Capitol Historical Society.

ATA is the trade association for the leading U.S. airlines. ATA assists its members by promoting aviation safety, advocating industry positions, conducting industry-wide programs and ensuring public understanding and awareness of the airline industry.

The Airport Legislative Alliance is headed by Todd Hauptli, Senior Executive Vice President for the Airport Legislative Alliance. Below is a listing of the ALA staff, with a short biography and each individual's email address. Please feel free to contact us with any questions or comments.

Todd Hauptli, Senior Executive Vice President

As the overseer of the Airport Legislative Alliance, Hauptli is responsible for the legislative programs of the two associations before the Congress and the Executive Branch agencies. In his capacity as senior vice president for policy and government affairs at AAAE, he also oversees AAAE's Regulatory Affairs Department. Additionally, he serves as executive producer and co-anchor of Aviation News Today, a weekly half-hour television program shown in the Washington, DC area and at 100 airports across the country.

Prior to joining AAAE in 1991, Todd served as a congressional relations officer at the Department of Transportation, handling aviation issues for Secretary Sam Skinner. He has also served on the White House staff of President Ronald Reagan as associate director of Cabinet Affairs and as a special assistant to the Secretary of Commerce. He began his career in Washington working for the House Republican Research Committee.

NBAA Staff Biography

Download high resolution photo

Edward M. Bolen
President and CEO

Ed Bolen became the president and CEO of the National Business Aviation Association, Inc. (NBAA) in Washington, DC, on September 7, 2004.

Prior to joining NBAA, Bolen was president and CEO of the General Aviation Manufacturers Association (GAMA) for eight years. Bolen joined GAMA in 1995 as senior vice president and general counsel. GAMA's board of directors elected him president and CEO in November 1996.

Bolen was nominated by President Bush to serve as a member of the Commission on the Future of the U.S. Aerospace Industry. Established by Congress, the commission's objectives were to study and make recommendations on ways to ensure American leadership in aerospace in the 21st century. The final report was released in November 2002.

Bolen was nominated by President Clinton and confirmed by the U.S. Senate to serve as a member of the Management Advisory Council (MAC) to the Federal Aviation Administration (FAA). He chaired the Council from 2000 to 2004.

Bolen is currently vice chairman of RTCA, Inc., a not-for-profit corporation that functions as a Federal Advisory Committee to the FAA on matters related to communications, surveillance, navigation and air traffic management. He also serves on the Aviation Advisory Board of the Mitre Corporation, a federally funded research and development corporation.

He is a member of the Board of Governors of the Flight Safety Foundation and the Board of Directors of the National Aeronautic Association. He also serves on the Aeronautics and Space Engineering Board of The National Academies.

Prior to his association career, Bolen was majority general counsel to the Senate Committee on Labor and Human Resources. He also served as legislative director for U.S. Senator Nancy Kassebaum (R-KS) and was a key player in the passage of the General Aviation Revitalization Act of 1994.

Bolen received his Bachelor of Arts in economics from the University of Kansas. He is a graduate of the Tulane University School of Law and holds a Master of Laws degree from Georgetown University Law Center.

Bolen, a recreational pilot, is also a competitive tennis player and former captain of the University of Kansas varsity tennis team.

Biographies

James K. Coyne
President
National Air Transportation Association

Born in Farmville, Virginia, and raised in suburban Philadelphia, James K. Coyne holds a B.S. degree from Yale and an M.B.A. from Harvard. During the 1970s he was a faculty member at the Wharton School (University of Pa.) and the CEO of a family business in Philadelphia (Coyne Chemical Company). He defeated an entrenched incumbent Congress in 1980, and was then chosen to serve in the White House as a Special Assistant to President Ronald Reagan and Director of the Office of Private Sector Initiatives. The National Air Transportation Association, representing nearly 2000 large and small aviation businesses, selected James K. Coyne as its president in April 1994. Prior to joining NATA, Mr. Coyne has had a distinguished career as a Representative in the U.S. Congress, a member of the White House senior staff, successful businessman, teacher, author and association executive. For the past 25 years, he has been an active pilot with instrument and multi-engine ratings.

Since leaving the White House in 1985, he has been an author, consultant, and association executive. He has been the president of the American Consulting Engineers Council, founder and president of the American Tort Reform Association, founder and president of Americans to Limit Congressional Terms, and the author of two books on Congressional reform. He has also been a director of numerous private and public corporations, including the Association of Former Members of Congress.

His love for and commitment to aviation has been an important facet of his professional and private life. Two business airplanes helped him to expand his business significantly in the 1970s. He also regularly flew from Washington to Pennsylvania during his term in Congress. As NATA president, Mr. Coyne has visited over 300 FBOs and aviation service businesses across the country. He also regularly presents the viewpoint of our industry before Congressional committees, the FAA, and other federal agencies.

Coyne lives in McLean, Virginia, with his wife, Holly, an instrument-rated pilot, and their three children, Sandy (also a pilot), Kate, and Michael.

HENRY M. OGRODZINSKI

NOTE: For a <u>shorter</u> introduction, you may simply use the *first* paragraph.

Henry's last name is pronounced: ō • grŏd • jĭn • skē

If you still find his last name too daunting simply, call him "Henry O" as he has been known by his friends in the aviation community for nearly 30 years.

HENRY M. OGRODZINSKI assumed the leadership of the National Association of State Aviation Officials and the non-profit NASAO Center for Aviation Research and Education in 1996. NASAO represents the state government aviation agencies, serving the public interest, in all 50 states, Guam and Puerto Rico. He is the first person in the 75-year old association to hold the title, "*President and Chief Executive Officer*". Before undertaking his responsibilities at NASAO, which is headquartered in Silver Spring, Maryland, in the metropolitan Washington, DC area, he held a number of other senior management positions in different sectors of the aviation community.

He began his career at the Delco Electronics Division of General Motors, which manufactured navigation and flight-management systems for commercial, military and space applications. He was responsible for all communications and training programs at the division's Milwaukee facilities.

He left Delco to become the Director of Policy and Planning for the Experimental Aircraft Association (EAA) in Oshkosh, Wisconsin. In this role, he was often asked to provide expert testimony before Congress on a wide variety of aviation issues. He also served as EAA Director of Corporate Communications (in this role he managed all public and media relations for the world's largest aviation event) and on the editorial board of EAA's five magazines. Henry played an integral part in the growth of EAA, its museum and its annual convention throughout the 1980's.

Based upon his aviation and government affairs experience, he was recruited by the General Aviation Manufacturers Association (GAMA) in Washington, DC, to lead its communications programs. While with GAMA, he produced several publications and multi-media presentations demonstrating the importance of General Aviation. He also managed the activities of the industry-wide GAMA Public Affairs Committee. He became well known as a leading aviation advocate and spokesman for his work in focusing the media spotlight on the product liability crisis, which was devastating the industry.

The Gulfstream Aerospace Corporation, a GAMA member, then asked him to move to its Savannah, Georgia headquarters to consolidate its worldwide public affairs, exhibitions, and advertising efforts. Henry bore the ultimate responsibility for planning and executing the highly successful domestic and international introductions of the G-IVSP and G-V business aircraft. He was Gulfstream's Vice President of Marketing and Communications and a Corporate Officer.

He left Gulfstream to become the first President and CEO of the then 20 year old United States Air and Trade Show in Dayton, Ohio. There, he rescued the troubled and

financially beleaguered organization by producing the largest and most successful events in its history.

Henry is a veteran of the US Army and an honors graduate of the University of Wisconsin at Milwaukee, with a BA in Journalism - Mass Communication. He is a member of many aviation organizations and the recipient of numerous military and civilian awards. Henry is often quoted by the news media as a perceptive observer of the aviation industry. He has also served on a number of government and industry panels, such as the US Aviation Security Advisory Committee Working Group on General Aviation (Co-Chairman), the Board of Nominations of the National Aviation Hall of Fame, a member of the Collier and Brewer trophy Selection Committees, a member of the National Aeronautic Association's Board of Directors and the 2004 President of the Aero Club of Washington.