STATEMENT OF ED BOLEN

PRESIDENT AND CEO

NATIONAL BUSINESS AVIATION ASSOCIATION

BEFORE THE

SUBCOMMITTEE ON AVIATION

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

U.S. HOUSE OF REPRESENTATIVES

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Mr. Chairman, and members of the Subcommittee, 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 Subcommittee 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 Subcommittee 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

Mr. Chairman, 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."

Mr. Chairman, 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 the 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, when it comes to modernization, the FAA talks the talk, but doesn't walk the walk.

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.

Mr. Chairman, as I said: The FAA talks the talk – but doesn't walk the walk – on modernization.

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.

Mr. Chairman, I have already reminded the Subcommittee 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, Mr. Chairman, 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.

Mr. Chairman, 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.

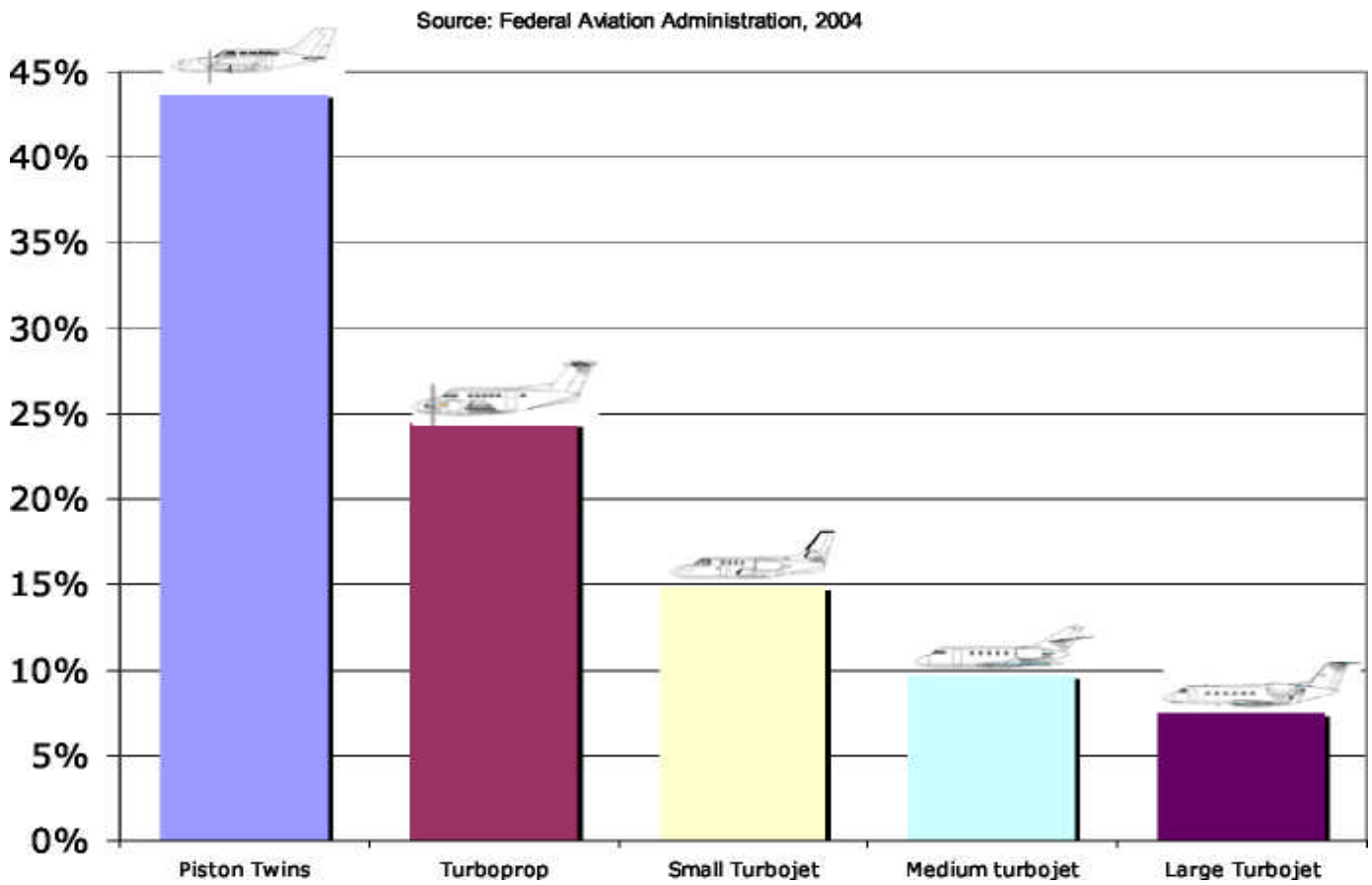
4) It can do some combination of the above; or

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.

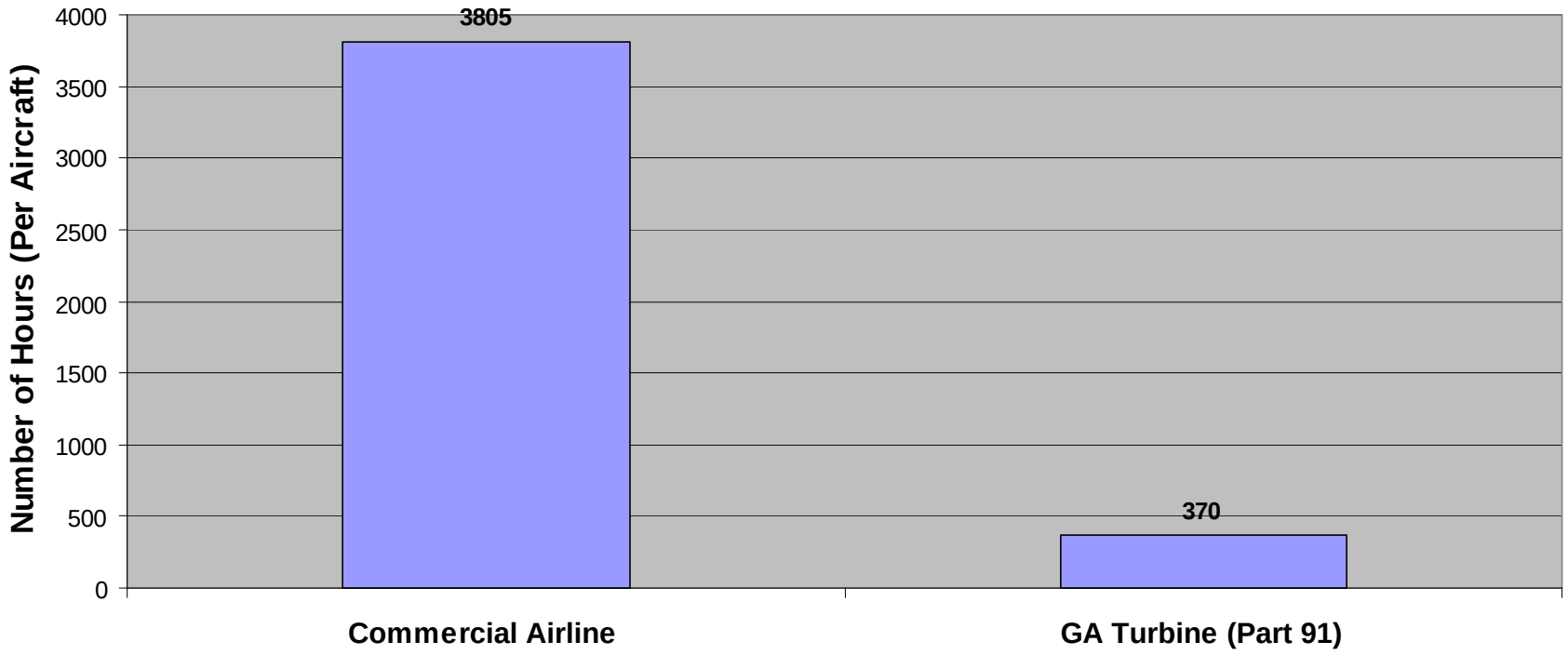
Mr. Chairman, expanding the capacity of our nation's air transportation system to accommodate demand can and must be a national priority. But no one should mistake aviation user fees with a modernization plan (see Chart 5).

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

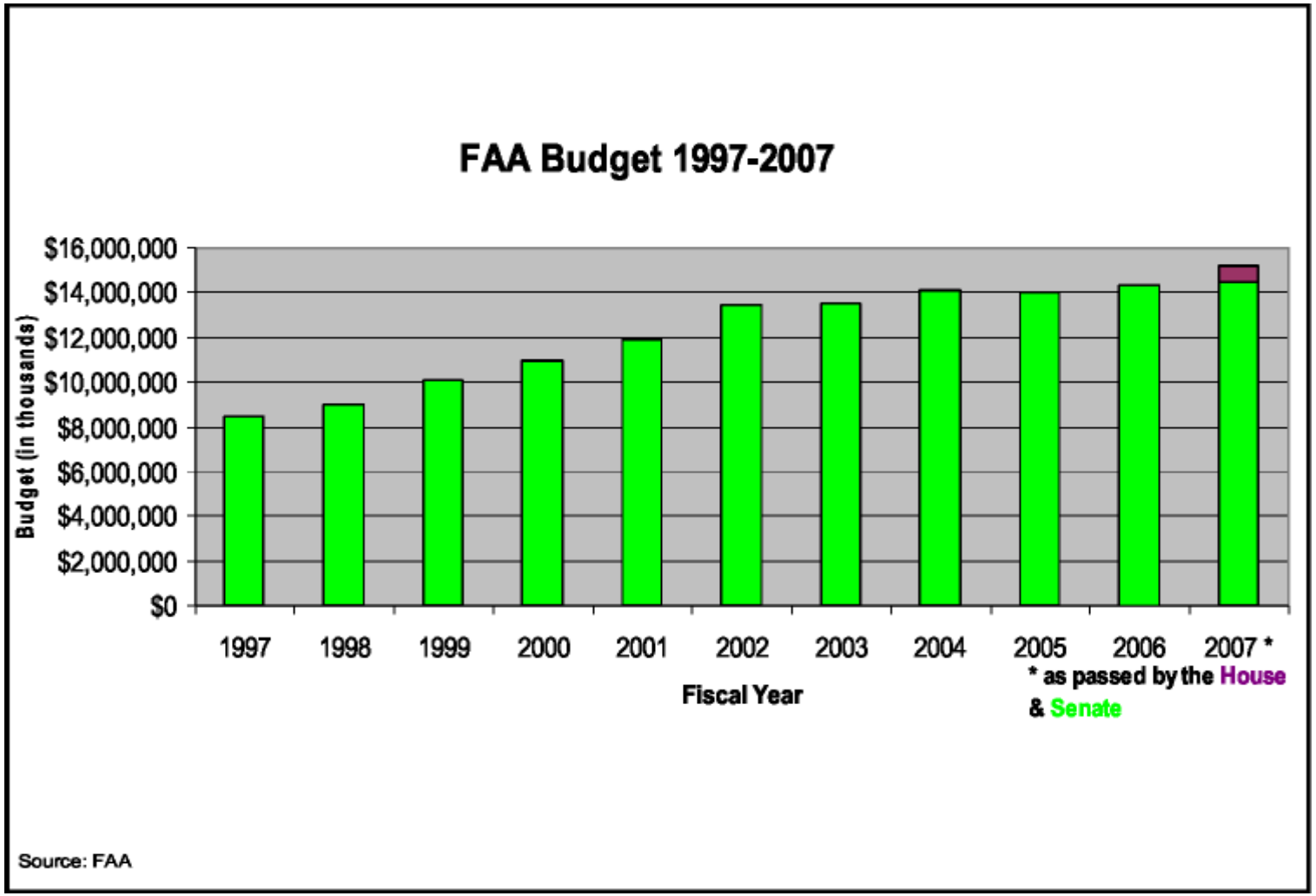
U.S. Registered Business Aircraft



Average Annual Hours Per Aircraft

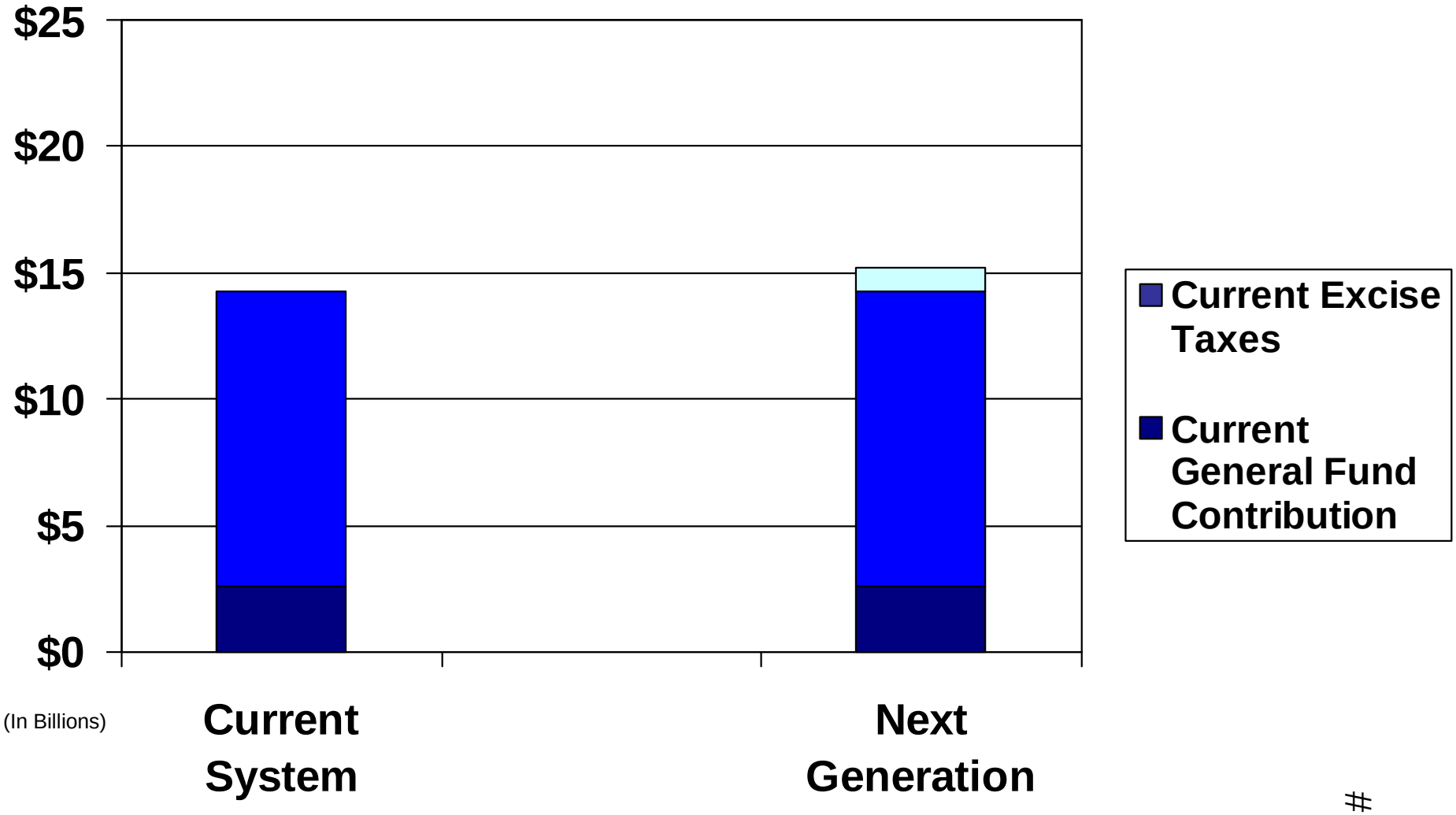


Source: Aviation Daily


FAA Budget 1997-2007
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$0
Budget (in thousands)
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007 *
Fiscal Year
* as passed by the House & Senate
Source: FAA

3

Funding Requirements



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
Government Perspective	Prepay for Use	Post-pay for Use
	No Bureaucracy to Administer	Creates IRS Branch of FAA
	Keeps Focus on Safety	Dilutes Focus by Adding Revenue Collection
User Perspective	Easy to Understand	Confusing Formulas
	No Processing Costs/Burden	Processing Costs/Burdens
	Fair For All Users	Subject to Government Manipulation
Policy Perspective	Linked to Use	Linked to Use
	Simple Congestion Deterrent	Complicated Approach to Congestion
	Pro-Environment	Environmentally Neutral