

**OPENING STATEMENT OF
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THE FEDERAL AVIATION ADMINISTRATION'S
FINANCING PROPOSAL
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I want to thank Chairman Costello and Ranking Member Petri for calling today's hearing on *The Federal Aviation Administration's Financing Proposal*. I understand that this is the second in a series of hearings on the FAA reauthorization proposal, which was submitted on February 14, 2007.

The Administration cites the need to pay for Next Generation Air Transportation System (the "Next Generation system") as its rationale for aggressively promoting a radical new hybrid tax and user fee financing structure for the FAA. I have reviewed the FAA's proposal, and I believe that it is a solution in search of a problem. The current tax and financing system is tried and true, and it has accommodated the enormous growth American aviation has experienced over the past 30 years. I believe that it can continue to do so. Today, the Government Accountability Office (GAO) will also state that the FAA's current tax and financing structure can provide funding to cover development and implementation of the Next Generation system.

In February, I stated that, based on the Administration's own cost assumptions, the FAA's new proposal would hypothetically yield approximately \$600 million less in FY 2008 than maintaining the current tax structure and over \$900 million less from FY 2009 to FY 2012. According to the GAO, the FAA has not taken into account changes in demand that could happen with an increased fuel tax, and that this could result in even less revenue collected by the fuel tax than anticipated.

Moreover, despite the fact that the FAA has cited the need to finance the Next Generation system as a reason for financing reform, the FAA's estimated cost requirements for its major capital programs are actually lower than they were four years ago. The FAA's estimated total requirements for facilities and equipment and the Airport Improvement Program in this new three year proposal are approximately \$380 million and \$1.5 billion less, respectively, than what it requested for the first three years of its last reauthorization proposal – the *Centennial of Flight Aviation Authorization Act*. These lower capital funding levels raise further questions about the FAA's assertion that financing reform is necessary.

In addition, I believe that the FAA's proposal is not in the best interest of consumers, both airline passengers and other airspace users. The FAA believes that its new financing proposal would make the FAA operate more like a business. In the business-world, efficiency is driven primarily by competition. But the FAA has no

competition, and the consumers of its services have nowhere else to go. Therefore the comparison of the FAA to a business is spurious.

Therefore, I have serious reservations about implementing a user fee for which there does not appear to be a hard ceiling, and for which FAA would have broad authority to raise fees to match whatever costs are incurred. Linking a new user fee rate to the air traffic control (ATC) modernization program, may not provide enough incentive for the program to be carried out efficiently because the FAA can require airline passengers and system users to bear the burden of any cost overruns.

The FAA also believes that its financing proposal would be more transparent. I disagree. The current 7.5 percent airline ticket tax is very transparent, generally written right on the airline ticket, and airline passengers know that they are paying it. However, I believe that under the FAA's proposal, airline passengers and other airspace users could end up paying hidden costs for any future problems with the FAA's modernization program. The FAA argues that airline passengers will pay less under its proposal. However, I believe that they could end up paying more if user fee rates grow unchecked and airlines pass those costs on to their customers.

The problems that the FAA has experienced with ATC are well documented. The GAO has listed ATC modernization as a high risk program for the last 12 years.

Likewise, the Department of Transportation Inspector General (DOT IG) has reported that the FAA's modernization program experienced billions of dollars cost growth directly traceable to overly ambitious plans, complex software development, changing requirements, and poor contract management.

The DOT IG has also noted that the FAA's Next Generation effort will, without question, be a high risk endeavor and that there is considerable potential for cost growth, particularly with regard to new software intensive automation systems – the types of systems that have gotten the FAA into trouble in the past. Consumers should not responsible for such potential cost growth.

Thank you again, Mr. Chairman, for holding this hearing. I look forward to hearing from our witnesses.