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Statement of Phil Boyer, President

Aircraft Owners and Pilots Association

before the

Committee on Transportation and Infrastructure's
Aviation Subcommittee
U.S. House of Representatives

concerning

The Federal Aviation Administration's Financing Proposal

March 21, 2007

Good morning my name is Phil Boyer, and I am President of the Aircraft Owners and Pilots Association (AOPA) representing more than 410,000 pilots and aircraft owners – two-thirds of all the pilots in the United States. In fact, 70% of the world's licensed and active general aviation pilot population resides in America, which makes comparisons of our air transportation system to other countries almost impossible. As I appear before you today, I am expressing the views of our membership, your constituents, in every Congressional district in the country.

As pilots flying in the United States we experience first hand the safest and most efficient air transportation system in the world. Our network of 5,200 public use airports, complemented by the more than 13,000 privately owned landing facilities is a unique national resource. Because AOPA members are involved in personal and business aviation, the majority using their aircraft in the way each of us use our personal automobiles, they place a high level of importance on the government's involvement in supporting this system. These individual pilots and aircraft owners are the only segment of aviation to pay for the aviation excise taxes out of their own pockets, like we do for automobile gas, and as you might imagine, are extremely concerned with the administration's proposal for reauthorizing the Federal Aviation Administration (FAA).

Administration Has Manufactured the Funding Crisis

For over the past two years I have personally participated in and watched with great disappointment as the FAA "manufactured this crisis." Even the title of their proposal, "Next Generation Air Transportation System Financing Reform Act of 2007" would have one believe that it is designed to be the financial solution to a problem identified, costed out, and in need of funding. From our perspective, this is nothing less than the government backing away from a world-renowned air transportation system and setting in motion the steps towards privatizing the Air Traffic Control (ATC) system. In spite of all the FAA rhetoric you have heard, we intend today and over the coming debate to prove that the existing financing mechanisms generate more than is needed for modernizing the ATC system, referred to as Next Generation Air Transportation System (NextGen).

The FAA proposal does this by imposing user fees for ATC services, huge fuel tax hikes of 50-cents per gallon on general aviation and empowering the FAA Administrator with virtual carte blanche authority to establish and raise the fees outside of Congressional control. It also creates what could end up as an airline dominated advisory board with unprecedented power over decisions about fees and investments in the nation's air transportation system. There is nothing in the FAA's proposal that helps define the ATC system of the future and identify what investments by the government and the aviation industry are needed to achieve this modernization.

User Fees Are Not the Way to Fund the Aviation System

My request to you Mr. Chairman and members of the Subcommittee, reject the calls for user fees for any segment of aviation and the almost quadrupling of

general aviation fuel taxes. Then, we can all get on with the real issues at hand through a productive, meaningful discussion on how to strengthen the nation's airports and modernize air traffic control – the plan, design, implementation -- that enables the U.S. to continue its global aviation leadership position. Amazingly, these are points on which almost all of us agree need to be accomplished. With user fees off the table, we can move forward on the real issues. Rest assured I am not indicating that status quo is an option. Our concern is that unneeded and expensive to collect user fees for any aviation segment places "the camel's nose under the tent." And, as we have seen in foreign countries, there is a trickle down effect that in a relatively short period of time charges all users for segments of the air traffic system.

User Fees Harmful to Aviation/Affect Safety

The catch phrases and carefully placed words in the FAA proposal would lead one to believe they have satisfied general aviation's desire to pay through a fuel tax. But, there is the insertion in their language of the word "primarily through the fuel tax ..." While user fees are attributed to the airlines and other commercial aviation users, the FAA proposal subjects a general aviation pilot flying into class B airspace "congested airspace" to a user fee. ATC user fees stymie general aviation around the world with huge costs to operate aircraft and most importantly, insert cost considerations into critical safety decisions. For example in Germany, general aviation pilots face penalties when they are unable to complete a non-precision instrument approach at a general aviation airport as originally planned because of deteriorating weather conditions. The penalty, when combined with a landing fee, to fly a precision approach at an alternate air carrier airport could total $1,000 dollars. This is due to user fee pricing schemes and congestion management principals aimed at deterring general aviation pilots from using the services that end up affecting safety decisions.

Another chilling illustration of the adverse affects of user fees comes from Australia. The country's Bureau of Transport and Regional Economics indicates that 20 years of user fees have contributed to a 28% decline in general aviation hours flown. Dick Smith, the former Chairman of the Australia's Civil Aviation Authority who actually endorsed the fees, recently observed, "basically, user pays (as we call it here) or the commercialization of Civil Aviation Safety Authority and Airservices, has been a disaster for general aviation in Australia and I believe the same will happen in the USA if it goes ahead."

User Fees Reduces/Eliminates Congress From Aviation Oversight

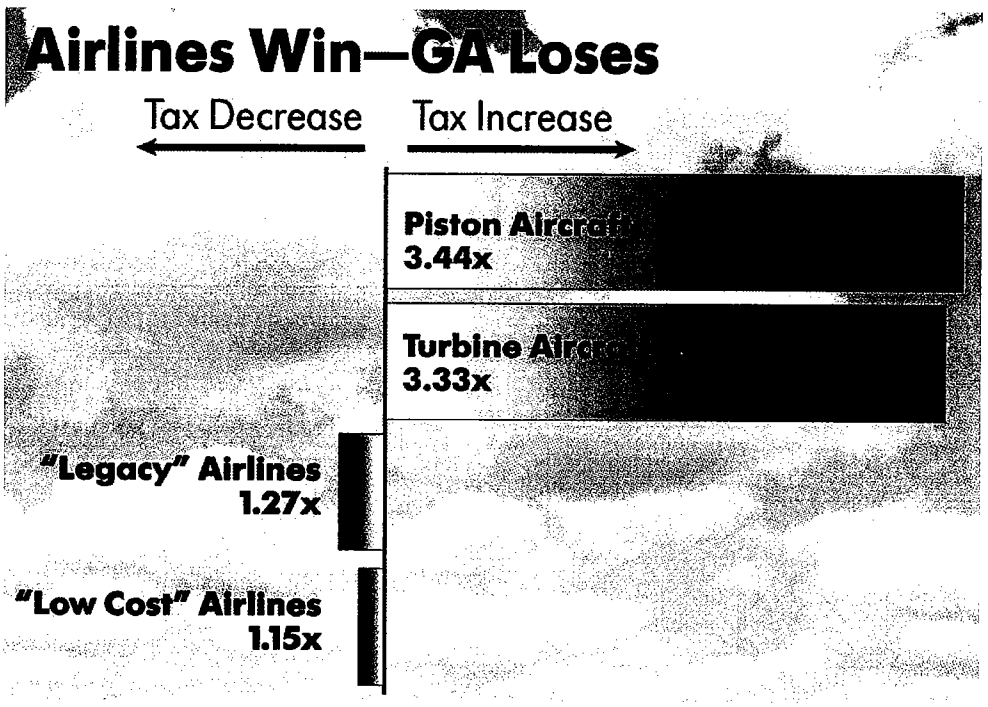
The process we are in right now works, and has worked for many inherently government functions. Congress is in charge, Congress holds hearings to listen to the industry and their constituents, and then passes legislation that holds them accountable – in fairness to all within their scope of responsibility. This is a prime reason AOPA adamantly opposes user fees for any segment of the aviation community. The proposal places control in the hands of the FAA and the airlines by diminishing, and ultimately eliminating, Congressional oversight of the nation's

air transportation system. Another "catch phrase" - "off setting collections" - this process and fee setting procedure outlined in the FAA proposal gives unprecedented power to the FAA Administrator and the Air Transportation System Advisory Board. The association representing the major carriers has repeatedly called for reduced Congressional involvement and oversight. The FAA proposal is a big step towards this ultimate goal.

General Aviation Big Loser in FAA Proposal

In addition to the ATC user fees, AOPA members are very concerned about the tax on aviation gasoline increasing from the current 19.4 cents per gallon to 70.1 cents per gallon, and jet fuel escalating from 21.8 cents per gallon to 70.1 cents per gallon. The proposal is a major shift of costs from the air carriers to general aviation.

The legacy airlines would see the amount of money they submit to the government decrease by $1.7 billion per year, a 27% reduction. For the low-cost carriers, the decrease is $286 million, a 15% drop. In comparison, general aviation would see a tax increase of 344% as is illustrated by this graphic.



Nine out of ten AOPA members have told us that if the tax on aviation gasoline is increased by 50-cents per gallon, they will reduce or curtail their flying. AOPA members have shared thousands of letters sent to members of Congress expressing strong concerns over the Administration's proposal.

> For example, 64-year old student pilot, Wendy Tyson of St. Augustine, Florida wrote, "I was horrified to learn of the outrageous fuel tax increase..."

John Bailey, Sioux Falls, South Dakota explained, "Last Spring, at the age of 49 I fulfilled a lifelong dream of earning my pilots license. What I found is that not only do I enjoy flying but it has turned out to be a very valuable tool in my business as we have customers in all parts of South Dakota and other states as well. The FAA's plan, by dramatically raising costs for private pilots, will kill general aviation as we know it."

Peter Radding, Charleston, South Carolina and Board member of Angel Flight/Mercy Southeast underscores the harmful impact of the proposal on community service flights, "I donate my time and aircraft expenses for Angel Flight/Mercy flight Missions where *patients without financial resources* are provided transportation *free of charge* to clinics far from home. In many cases, the clinics offer the patient a "last chance." In other cases, children with rare medical conditions are transported to children's clinics where unique medical procedures and treatments are available. Often the patients live in rural areas (small airports) and are transported to/from large cities (large airports) in which the clinics reside. The proposed tax increases will greatly weaken the volunteer network's ability to respond in numbers and in frequency."

A student pilot from Eastlake, Ohio wrote, "The measures proposed could cause the end of my flying career, even before I get started. General aviation would become cost prohibitive to me and my family."

Airline pilot Jesse L. Krull, of Harpers Ferry, West Virginia pointed out the importance in training pilots, "While I currently fly for the airlines, it's through general aviation (GA) that I gained the training and experience needed to get that first airline job. Others use GA in many different ways. In addition to business and personal travel, it is used for medical evacuation, weather and traffic reporting, agricultural application, disaster relief, natural resource management, surveying and mapping, and more. Many of these services will no longer be affordable if the FAA's funding plan is approved."

Current Financing System Works

The FAA falsely asserts that a new financing system is needed to pay for NextGen. Despite claims by the FAA that the current financing system is unstable and unpredictable, the FAA budget has grown from $13.5 billion in FY 2002 to $14.9 billion in FY 2007. In fact, in several of those years, Congress appropriated more funding than the FAA requested. My counterpart with the airlines on this panel, Mr. James May, and I agree on many things including the continuing need to modernize the air transportation system. He and I co-chair the industry council, which provides input and oversight to the Joint Planning and Development Office (JPDO) multi-agency project. With huge involvement and enthusiasm in seeing to it that NextGen happens, neither of us at this time could

spell out the technologies nor the all-important modernization costs that would be required. To date, all we have is a $1 billion a year back-of-the-napkin estimate. The FAA has yet to explain in detail what the future system entails, how much it will cost, what the benefits are, and when investment is needed. However, to their credit, the FAA does have more accurate cost estimates - $4.6 billion for the next five-years under the less long-term Operational Evolution Partnership.

From our perspective there is no funding crisis. The current system of aviation excise taxes combined with a general fund contribution will be more than sufficient to support the FAA's future funding needs and pay for modernization. In fact the Office of Management and Budget data reveals that the FAA can support aviation investments. Both the Government Accountability Office and the Congressional Budget Office have testified that ATC modernization can be accomplished under the existing FAA financing structure. Likewise, the Department of Transportation Inspector General has stated that the current tax system can fund the FAA, and increase spending for NextGen as long as there is a general fund contribution.

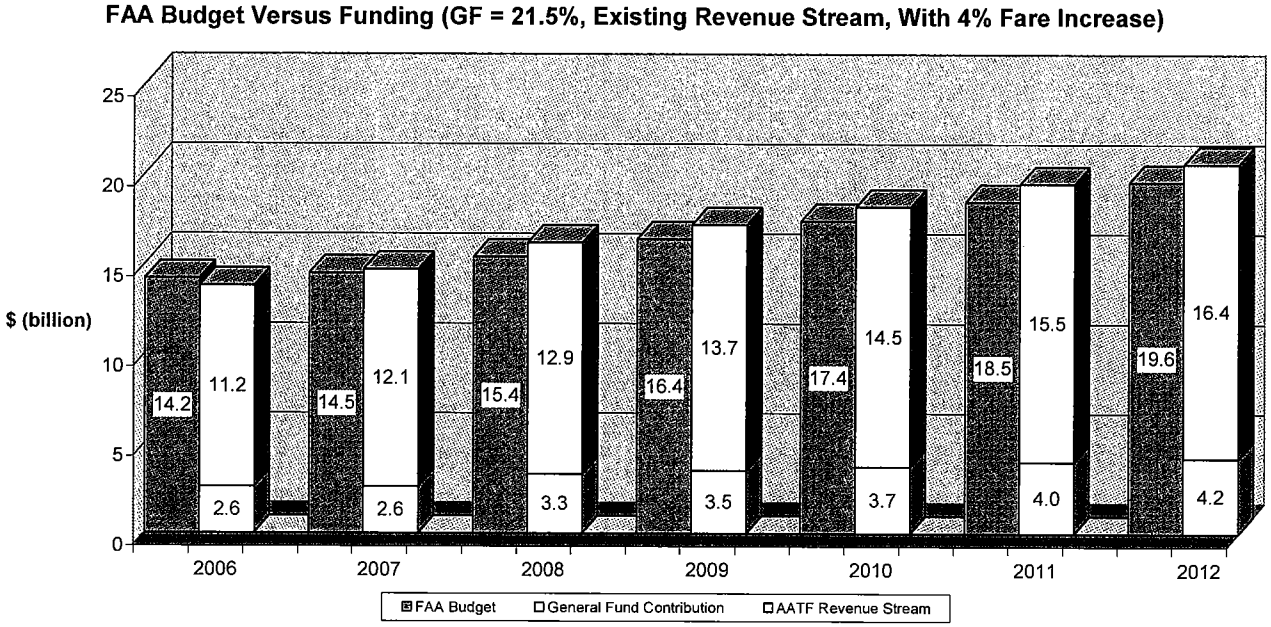
The changes proposed by the FAA are unnecessary to keep the U.S. aviation system the safest and most efficient in the world. To our shock when the FAA proposal finally emerged last month, after pleading the need for more dollars to fund system and insisting the way to get there was user fees the Administration's own plan for the next fiscal year provides less money than staying with the current taxes, some $600 million less!

As the following chart illustrates, even if each year:

- FAA's budget increases by 6%
- Airport funding remains strong (3.7 billion)
- Operations costs rise by 3%
- FAA Facilities & Equipment (ATC Modernization) spending is increased $1billion

The FAA still ends a five year reauthorization time frame with $7.1 billion uncommitted balance in the Aviation Trust Fund. This occurs even though the FAA would have access to $20 billion in funds for ATC modernization.

$20 Billion Available for ATC Modernization

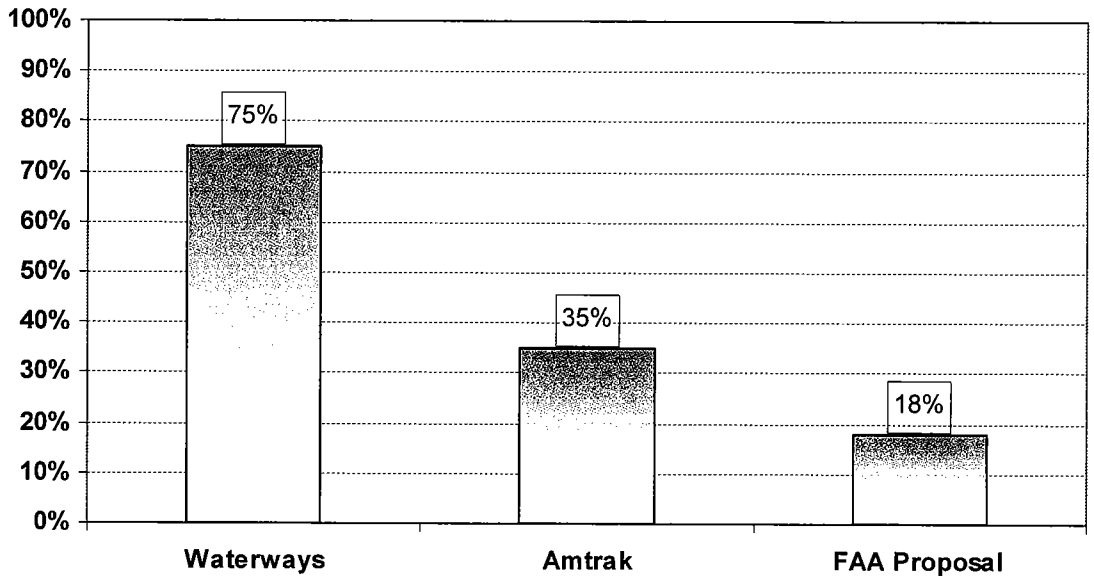


Aviation National Asset Deserves Federal Investment

One of the important baseline assumptions we have used is a robust General Fund contribution at 21.5% annually (essentially the average from the last four years). Since 1969, just prior to establishing the FAA's Airport and Airway Trust Fund, Congress recognized that a general fund contribution is necessary. Nearly 40 years ago, they observed that, "there are others who are indirectly benefited by air transportation because of the non-aviation employment which air transportation generates." Yet, the FAA's proposal recommends decreasing the traditional levels of support for the aviation system from general taxpayers. It's illogical to back away from the economic engine that our country's robust aviation system powers. The direct and indirect benefit of aviation to America represents 9% of our gross domestic product.

The use of general fund investment in transportation is consistent in other areas of the federal budget. For example, the waterway system receives 75% of its funds from general taxpayers. Amtrak, which accounts for 25 million passengers, receives more than 35% from the general fund. This clearly illustrates the disparity in treatment of aviation, which carried more than 700 million passengers in 2005 and under the FAA's proposal would receive a general fund contribution of 18%. The Administration's plan reduces this further in the future.

Percent of Total Budget Paid by Taxpayers Through the General Fund



Fiscal Responsibility Can Come From Reduced Costs
AOPA has shown a commitment to reducing the costs of services utilized by the general aviation community and at the same time look for ways to improve safety by enhancing the quality of FAA services. This includes the FAA contract with Lockheed Martin for Flight Service Station modernization and operation. This agreement saves taxpayers $2.2 billion over ten-years and more importantly promises dramatic changes for pilots through a modernized system with call center standards and other performance based criteria. AOPA has also worked closely with the FAA in reducing obsolete or unnecessary ground navigational aids.

Airports Critical – Funding Should Not be Cut
While not the topic of this hearing an alarming element of the FAA proposal is the cut in airport funding. We all know how important it is to have alternate airports when flying in bad weather, yet the Administration is asking for nearly a $1 billion reduction in the grant program. And, the most important airports for general aviation, airports in small communities would lose an entitlement of $150,000 annually, which has kept many open and economically sound. This is incomprehensible if we are to have a viable air transportation network for the nation.

Other Fees Raise Questions
The FAA is also proposing new or significant increases in various fees for aircraft and airman registration. For example, the fee for registering an aircraft is proposed to increase from the current rate of $5 to $130. AOPA is conducting an

analysis of these to compare them with similar charges imposed on automobiles and boats to determine the scope of what the FAA is proposing. The Association objects to the principle being advanced by the FAA that revenues from the fees would pay for 10% of the FAA's safety oversight budget. Safety oversight is clearly a function that should be paid for from the general fund.

Let me conclude with a number of key assumptions and principles:

- The United States has the safest and most efficient air transportation system in the world, moving more aircraft and more people than the rest of the world combined.

- Excise taxes, not user fees, are the appropriate and cost-efficient way for all aviation users to support the system.

- Congress' direct management and oversight of FAA spending and programs should not be changed.

- National transportation assets vital to the United States economy require a level of support from general tax revenues. The General Fund contribution to FAA operations should be maintained at the historical average of 21.5% of the FAA budget

- Airports are as critical to the aviation transportation system as on- and off-ramps are to our federal highway system. Federal airport funding should be sustained at no less than the current levels ($3.7B).

What can we do to sustain and improve the U.S. air transportation system?

> **<u>Reject the calls for user fees for any segment of aviation</u> and the almost quadrupling of general aviation fuel taxes. Then, we can all get on with the real issues at hand through a productive, meaningful discussion on how to strengthen the nation's airports and modernize air traffic control – the plan, design, implementation -- that enables the U.S. to continue its global aviation leadership position!**

Thank you for the opportunity to appear before this Subcommittee.