U.S. House of Representatives
Committee on Transportation and Infrastructure
Aviation Subcommittee
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The Federal Aviation Administration's Financing Proposal

Good morning. Mr. Chairman, Representative Petri, and Members of the Subcommittee, my name is Roger Cohen. I am three months into my tenure as President of the Regional Airline Association (RAA). RAA represents 42 U.S. regional airlines transporting 97 percent of all regional airline passengers. On behalf of those regional airlines, I thank the Committee for this opportunity to share our perspective on FAA reauthorization.

While the regional airline industry has changed dramatically over the past half century, one element remains unchanged: our members' commitment to providing safe, convenient, and affordable airline service to communities large and small across the United States. Regional airline service links together more than 600 U.S. communities. At more than 70 percent of these communities, regional airlines provide the *only* source of scheduled airline service. Our member airlines serve every corner of this country; from the Grand Canyon to Key West; to and from statehouses in Montgomery, Springfield and Charleston, and university homes in Gainesville, Champaign and Charlottesville. Without regional airlines, communities like these would have no link to the nation's air transportation system.

Congress, particularly this Committee, has overseen the creation of a national aviation system with a long history of treating all air travelers even-handedly. In doing so, you've demonstrated a tremendous commitment to an air transportation network serving cities large and small and extended the benefits of airline deregulation nationwide. Maintaining this even-handed treatment of all passengers and cargo traveling in air commerce is at the foundation of the Regional Airline Association's perspective as Congress this year considers the reauthorization of the Federal Aviation Administration and related programs.

The Next Generation Air Transportation System Financing Act of 2007, the FAA's proposal for FAA reform and reauthorization, would bring significant changes to FAA operations, as well as to the financing of its Airport and Airways Trust Fund. While we applaud FAA's people for their efforts in tackling the difficult issue of FAA financing and the transition to the Next Generation Air Transportation System, RAA has deep concerns over several elements of the proposal. We ask Congress, before adopting the proposal or any of its elements, to examine its unintended but potentially significant consequences for small and medium-sized communities. In doing so, RAA urges Congress to consider five objectives for FAA reauthorization:

I. Preserve today's excellent network of scheduled service to small and medium-sized communities *without* penalizing regional airlines for use of smaller aircraft.

Just as there is no standard-sized American community, regional aircraft come in all shapes and sizes: from hundreds of turboprops seating 10-19 passengers each to a growing fleet of more than 1500 regional jets with advanced avionics, capable of carrying up to 100 passengers each. While aboard these jets and advanced turboprops, passengers enjoy flight attendant service, snacks and meals, and quick and easy boarding and deplaning. Moreover, there's not a single "middle seat" on the entire regional airline fleet.

In response to this substantial regional airline growth, some industry stakeholders have sought to blame current and anticipated congestion problems on regional airlines and regional aircraft. Seeking to compensate for a wholesale failure to modernize the ATC system and increase capacity at congested airports, these stakeholders are now proposing congestion pricing formulas that would manage demand as a solution to capacity shortfalls at our nation's most congested airports. Proponents of congestion pricing often refer to this approach as being "market-based," because it effectively penalizes smaller carriers, unable to amortize the increased fees over a 19, 32, 50 or 70 seat aircraft, and prices the communities they serve *out* of the market.

The FAA's proposal addresses airport capacity shortfalls by imposing premium fees at hub airports during congested periods. Unfortunately, this strategy of constraining demand penalizes passengers from smaller communities who rely on smaller aircraft utilized by regional airlines for their access to the nationwide air transport network. This is fundamentally unfair, since passengers at these small communities pay the same exact aviation taxes and fees as other travelers. The FAA should not expect airline passengers to shoulder higher ticket prices or lose their travel options because it failed to modernize and expand the airport and airway system.

In most cases, regional airlines operate under code-sharing agreements, which are collaborative relationships with one or more mainline carriers ranging from simple marketing agreements to full ownership. Under these code-sharing agreements, airlines can "rightsize" aircraft to individual routes, adjusting schedules and size of aircraft to provide passengers more convenient flights to additional destinations. This arrangement is cost-efficient, flexible, and passenger-friendly because it allows airlines to tailor aircraft size precisely to a variety of markets, offering greater frequency and lower capacity on shorter routes to and from smaller communities. This in turn contributes to more efficiency and higher load factors on mainline flights. Given the need to keep aircraft size in line with market demand, deployment of smaller, regional aircraft is critical to the continued service to smaller communities with few or no other transportation options.

Regional airlines also play a critical role in connecting passengers at small and medium-sized communities to the nation's hub airports to the benefit of all travelers. This simple concept, "network feed," grants passengers in smaller communities access to the nation's hub airports and lowers costs for all travelers by increasing the number of passengers on major airline routes. Unfortunately, congestion pricing models currently under consideration could interrupt this important hub feed. In doing so, these proposals not only disenfranchise passengers at the smallest communities, they ignore the critical role regional airlines play in fostering a healthy national air service network by transporting passengers at regional airports to the nation's hub airports.

The FAA proposal, and any proposal which treats commercial airline passengers differently based on size or type of aircraft, airports utilized, or the level of air traffic during specific time periods, discriminates against passengers from smaller markets. Further, the proposal undermines the notion of a national system of commercial aviation. Regional airlines provide 14,000 flights daily. To ignore the crucial service regional airlines provide in smaller communities by dismissing regional airline flights and passengers as a mere "blip" on a radar screen represents more than an oversimplification. Instead, such proposals represent a failure to treat passengers equally, regardless of the point at which they access the system or how many passengers are seated onboard alongside them.

Given the need to keep aircraft size in line with market capacity, deployment of smaller, regional aircraft is critical to the continued service to smaller communities with few or no other transportation options. Beyond the damage demand management schemes pose for small and medium-sized community air service, such schemes are inconsistent with our shared, long-term goal of building and maintaining a healthy and vibrant national air transportation system. Instead, demand management offers a harmful, simplistic short-term answer to a long-term, complicated problem.

We pledge to work together with Congress on our common goal of modernization but ask that you ensure regional airlines – and their passengers in medium and small communities throughout the United States – are not disenfranchised in the process.

II. Facilitate FAA's transition to NextGen air traffic system improvements after quantifying the new system's costs and benefits while first maximizing efficiencies from the existing system.

RAA strongly supports transitioning to the Next Generation Air Transportation System Modernization (NextGen) and will continue to work with Congress, the Administration and all other aviation stakeholders to achieve the safety and capacity benefits of the NextGen air traffic system. Prior to embarking on any new system, however, RAA feels strongly that Congress must provide oversight and guidance to FAA in identifying and improving efficiencies of the current system. This includes a difficult but necessary examination of streamlining and consolidation of FAA facilities where appropriate.

Airlines have made great strides in bringing costs in line with market realities, and now we expect our colleagues in the public sector, while keeping safety the top priority, to continue to control and reduce costs. Before a move to a new system is undertaken, we urge Congress to query FAA on the specifics of this new system. We ask that FAA outline the manpower and equipment requirements needed to operate the new system as well as to quantify and justify the costs necessary to obtain and maintain a new system. Most importantly, we urge Congress to quantify the air traffic benefits of the new system, particularly those related to safety, as well as the new system's efficiency improvements.

Finally, we urge Congress to require any new financing mechanism to come with a governance structure allowing for meaningful industry oversight and input. The governance board outlined in the FAA's proposal recognizes the agency's desire to incorporate user input, but without defined authority, users would lack real input into the creation of the system they are financing.

III. Non-airline users of the ATC system should bear a proportionate share of total system costs, which more accurately reflects their use of and reliance upon a safe and efficient national system.

RAA recognizes the growing demand for air travel and knows FAA must continue to adapt its practices and implement the necessary technology to meet the demands of this growth. Among these challenges will be balancing the costs of delivering this aviation infrastructure on a rational and equitable basis.

The distinctions between aviation sectors appear to be blurring, with passengers of the growing number of fractional ownership and corporate business jet fleets obtaining access to similar air transport services as airline customers. These fractional and corporate aviation passengers today pay far less than airline customers do to access the national system. Therefore, we support the FAA's first step in endorsing a cost-based funding mechanism that extends beyond the airlines currently funding the system and includes non-commercial airline users that impose significant costs on the ATC system.

Currently, airlines and airline passengers pay $19 billion annually to fund the nation's airways and airports, more than 90% of the user-paid total. The general public, military, news and service organizations, recreational fliers and particularly business and corporate aviation — whose access to the national system in many ways mirrors that of regional airlines — should pay commensurately for both the underpinnings of the national system as well as their usage of it.

IV. Protect robust airport funding dedicated to tangible safety and capacity benefits, with greater user input into airport expenditures, and reject Passenger Facility Charge Increases that will jeopardize service to small communities.

As you know, the Passenger Facility Charge, or PFC, was originally authorized by the federal government to give local airport authorities the ability to fund capacity improvements like runways, taxiways, and navigational aids. Unfortunately, efforts to implement such capacity improvements have been delayed more by a lack of political consensus within local communities than by a lack of funds. Moreover, a number of projects funded by the PFC have done little to improve airport efficiency or to deliver direct benefits to the airline or the air traveler.

The current approval process, while imperfect, permits airline participation in determining the merit of projects to be funded by PFCs. While many regional airlines have voiced objections to projects that have nevertheless proceeded, making this input less than meaningful, efforts disguised as "streamlining" the PFC approval process would curtail user input even further and should be rejected.

Further, the Administration's proposal to raise the PFC cap would present an immediate and significant disadvantage to air travelers in smaller communities. As you know, airline segment fees have a disproportionate impact on short haul travel, because the tax is the same regardless of the length of the segment. Regional airlines are especially vulnerable to this tax, because the short haul nature of regional airline flights often results in a greater number of flight segments for each passenger and therefore a significantly higher tax per passenger. Potential air travelers may decide to drive to nearby cities rather than pay the higher fares in instances where they have that option. Others may decide not to fly at all. The corresponding reduction of passengers traveling in the event of a PFC increase could eventually lead to the elimination of service along previously profitable routes.

Finally, RAA opposes proposals allowing the use of PFC revenues for non-airside projects – a particularly egregious proposal when airport capacity shortfalls are so significant that demand management scenarios are being seriously considered. Instead, RAA believes federally-authorized investments in local airport projects should directly target NextGen capacity improvements, earn formal support from the users at the specific airport, and otherwise protect the Federal government's longstanding interests in maintaining a national network of safe and efficient airports.

We understand that expenditures are outpacing receipts in the airport and airways trust fund. Therefore, each stakeholder in the aviation industry must work to ensure that the FAA is adequately funded and that airport expansion and ATC modernization continue at an acceptable pace while rejecting new taxes on the airline industry.

V. Congress should uphold its promise to smaller communities as part of the Airline Deregulation Act of 1978.

In closing, I would like to raise the issue of the Essential Air Service program with this Committee, but not as an afterthought. I was a young PR representative for TWA reporting on the hearings when Congress debated whether to deregulate the nation's airlines. As part of that debate, Congress made a pledge to communities that they would not be abandoned – that because of their size they would not lose all access to the national transportation network. That promise held that, provided communities met reasonable program requirements, they would not lose service after airline deregulation.

Every Congress since then has kept that promise and we are hopeful that you will continue to recognize the estimated 140 communities across the U.S. that depend on that EAS promise. Congress should not allow DOT to halve or eliminate the program, nor should Congress fail to authorize and appropriate funds for a mandatory, real-time rate adjustment tool that DOT must use in the face of significant increases in carrier costs during the lifetime of a contract.

Without adequate EAS funding, the vast majority of the cities in the program would lose service entirely. EAS airlines would disappear, airline workers would lose their jobs and EAS-reliant communities could fall off the national aviation system map.

Thank you for the opportunity to testify today. This concludes my prepared statement. I would be happy to answer questions at the conclusion of the panel.