Statement of
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Regarding the
Federal Aviation Administration's
Airport Improvement Program

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INTRODUCTION

Chairman Costello, Representative Petri and members of the Aviation Subcommittee, I am honored to appear before you today to discuss the Airport Improvement Program (AIP) and its significance to Williamson County Regional Airport. I would like to thank each of you for this opportunity to review certain issues that pertain to the proposed Federal Aviation Administration (FAA) Reauthorization Bill and the impact each has on AIP and smaller airports throughout the country.

AIRPORT OVERVIEW

Williamson County Regional Airport is a non-hub, primary commercial service airport located in Southern Illinois. Scheduled flights include daily service to St. Louis by American Connection, and to Chicago-Midway by Mesa Airlines. Flights to St. Louis are reliant upon funding provided under the Department of Transportation's (DOT) Essential Air Service (EAS) program, while flights to Chicago have recently commenced under an air service development program funded by the State of Illinois. Passenger enplanements for scheduled air carrier service at our airport in 2006 were approximately 12,000.

In addition to scheduled airline service, our airport accommodates a variety of other aviation activity, including: Scheduled air cargo operations; air taxi/charter service operations; military and civilian flight training; local and itinerant business aviation flights; large air carrier charter operations; air ambulance flights; and numerous other commercial and private general aviation flight activities.

On average our airports accommodates 50 based aircraft and approximately 30,000 annual operations. A vast majority of these operations are handled safely and efficiently through the services of our federally contracted air traffic control (ATC) tower operated under DOT's contract tower program. Though operations are currently on the upswing, a decline over just the past few years will likely result in the airport paying a local share in the coming year under the cost-sharing provision of this program in order to maintain these critical ATC services.

The airport's services and benefits are not limited to aviation alone. We currently accommodate 3 non-aviation businesses in the airline terminal, 10 non-aviation business developments in the airport business park, a county fire protection district station, storage facilities for state and local emergency services equipment, farming operations, and Illinois National Guard armory. When combined, businesses located at the airport account for approximately 250 jobs in our region.

Available business park lots and industrial sites on airport property also provide an attractive location with incentives for existing or future businesses to locate or expand. In March of 2000, a report entitled the Economic Impact of Illinois Airports produced by the Illinois Department of Transportation concluded that our airport's total economic

impact to the region was in excess of $10 million. Given the positive growth our airport and region have realized since that time, it would be a fair assessment to say that figure has most likely doubled.

Though the services and benefits our airport provides to the surrounding region are significant, so too is the reality of the challenges we face financially in order to sustain the necessary capabilities to operate, maintain, and develop the facility. In any given year, operating revenue received from rents, fees, and real estate taxes can only be expected to cover the costs of operating and maintaining the airport facilities. Capital improvements such as runway, taxiway, and ramp projects, land acquisition, certain equipment purchases, or security and safety improvements can only be accomplished with the federal financial assistance provided through AIP.

AIRPORT IMPROVEMENT PROGRAM

Since 1982, the AIP grant program has been a major component of airport planning and capital funding providing for important safety, security, capacity, and environmental projects at airports across the country. In fact, for smaller airports, AIP is relied upon and remains the primary source of capital funding. According to the FAA, AIP funding accounts for approximately 90% of capital expenditures for our nation's smaller airports.

In recent years, Williamson County Regional Airport has relied on AIP funding in order to extend our primary runway to meet demand, acquire property to ensure future development capabilities, remove obstructions to provide for safe operations, maintain and expand aircraft parking and taxiway areas for current and future operations, and acquire Aircraft Rescue and Fire Fighting equipment to meet increased federal airport certification requirements. These projects are not opulent undertakings, but rather represent the necessary investments and improvements that such a facility requires, and that we as administrators of public airports are obligated to plan for and provide.

Unfortunately, under the current FAA funding proposal, AIP would be cut by almost $1 billion from existing authorized levels. This, at a time when the FAA's own forecast calls for an increase in the need for AIP project funding from 2007 to 2011 (an amount of approximately $8.24 billion per year) is troublesome to say the least. Over the next five years alone, Williamson County Regional Airport has identified project needs in excess of $6.6 million in AIP funding. With airport demands continuing and/or increasing, along with inflation and the cost of construction increasing, how can we as an industry be expected to keep up year after year while we consistently struggle to maintain historical levels of funding - let alone realizing justifiable increases?

Mr. Chairman and members of the Subcommittee, your continued oversight and support of AIP will be critical to putting an end to such reversionary funding proposals. Specifically, I would ask that you account for the capital development needs of our

nation's airports by supporting the following funding levels:

FY08 $3.8 Billion **FY10 $4.2 Billion**
FY09 $4.0 Billion

General Fund Contribution: Certainly a key component of what funds the FAA and ultimately what is available through AIP is the general fund contribution. Historically this contribution has been as high as 48%, but has averaged 27%. In FY08 the FAA reauthorization proposal calls for an 18.6% general fund contribution, and unfortunately once again, declining amounts proposed for FY09 and FY10.

Mr. Chairman we have an opportunity now to set a standard for funding in the years to come – one that will provide stability and a sense of purpose to the planning, development, and implementation of improvement projects at our nation's airports. A consistent approach to funding needs to be in place in order to achieve this. As such, I would ask that a minimum level of 25% is established as the general fund contribution for each year of the reauthorization period.

Federal Match: Another aspect of the proposed reauthorization that would have a significant negative impact on smaller airports is the reduction of the federal share for certain airport projects from 95% to 90%. Though the increased federal participation implemented through Vision 100 may have been intended to be temporary, unfortunately many of the post 9/11 changes that have impacted the industry are not. In addition, if adequately funded as noted above, AIP funding levels can support the 95% federal matching share currently in place.

Increasing smaller airport's contributions to 10% will very likely prevent some airports from being able to move forward in a timely manner with planned construction projects. A $500,000 airport improvement project which has a local share that increases from $25,000 to $50,000 is significant to a smaller organization. It should also be noted that many state transportation agencies have become reliant upon the higher federal share, and there are likely to be instances in which state funding would not be available to meet an increased percentage of matching funds.

Increasing the PFC Cap: Since 1990, airports have been allowed to impose Passenger Facility Charges (PFC) as a local fee on passengers that board commercial aircraft at their facilities to augment AIP and other sources of airport revenue. In 2000 the amount airports were allowed to collect was raised from $3 to $4.50. Unfortunately, without taking into account inflation and increased construction costs, the value of a $3 PFC from 1990 has been estimated to be worth approximately $1.86 in 2007.

While the reauthorization proposal calls for an increase in PFC collection authority to $6 per passenger, I would concur with the recent testimony submitted by Charles Barclay, A.A.E. representing the American Association of Airport Executives in asking that the PFC cap be raised to at least $7.50. As discussed, this would be an amount suitable to provide for the increases in inflation and construction costs over the

next three years. Beyond this period however, a provision should also be created to index future PFC levels to account for ever increasing costs.

An increase of the PFC cap to $7.50 would allow Williamson County Regional Airport to increase its revenue under this program from collections of approximately $43,000 in 2006 to nearly $82,000. Though paling in comparison to the amount of revenue generated at larger airports, this capability will continue to be significant to smaller airports that must also be creative in funding airport improvements to the maximum extent practical.

Small Airport Fund: Specific to smaller airports within the reauthorization proposal is the elimination of the Small Airport Fund and creation of a new Small Airport Set-Aside Fund. The existing small airport fund is supported by returned large and medium hub airport entitlements. With the proposal's elimination of passenger entitlement funds to these airports in FY10, the funding source for small airports would be eliminated.

As a result, the proposal would establish a separate set-aside based upon a percentage of discretionary funds to maintain funding for smaller airports. At proposed funding levels it has been estimated that the new formula could in fact reduce small airport funding by $430 million. Even at a sustained AIP funding level of $3.5 billion, the new set-aside formula has the potential of reducing small airport funding by $69 million.

Though there is general consensus about the reliance of smaller airports on AIP, we must be very cautious with regard to funding formula changes without a clear picture of what impact such changes could ultimately have on funding amounts for small airports across the board.

User Fees: Discussion regarding AIP must also take into consideration the proposal's sources of funding and how those realistically can provide for AIP in the years to come. A key component of these proposed funding sources, one that could have dire consequences at our nation's smaller airports, is user fees.

Citing the need to fund the Next Generation Air Transportation System (NGATS) in a more equitable manner, the reauthorization proposal would replace the current excise taxes that comprise the aviation trust fund with a new cost-based user fee system. Specifically, the proposal eliminates the 7.5% domestic passenger tax and flight segment fee, while increasing general aviation fuel taxes from approximately 20 cents per gallon to 70 cents per gallon.

Though I should not be as bold as Congressman Ehlers to offer that such a financing proposal should be "dead on arrival," I do feel it appropriate to express as you recently did Mr. Chairman that I have "major reservations" about a proposal that could very well bring in less revenue at such a critical point in funding our nation's air transportation system. At the same time I feel it appropriate to reiterate the findings of the Congressional Budget Office in September of last year when it was reported to the

Subcommittee that the uncommitted balance of the aviation trust fund is expected to grow to approximately $19 billion by 2016. When coupled with a consistent general fund contribution, the revenue and interest from the existing trust fund should in fact be enough to pay for NGATS.

None-the-less, fairness with regard to who generates the funds for the system has been a focus behind the user fee proposal. Yet I would offer that by its own admission, the FAA has indicated that the airline industry will be a primary benefactor of NGATS. Implementation of NGATS is expected to save the airline industry millions of dollars in fuel efficiencies alone. When the airlines benefit from these and other improvements on such a broad scale, so too should their passengers, and the balance of fairness among all users remain equitable.

General aviation is a very broad term and it consists of a myriad of operators providing a variety of services within our air transportation system. It consists of flight training operations that teach our next generation of airline and military pilots how to fly, it is the air ambulance provider that saves lives by making a two and half hour ambulance ride a thirty minute flight, and it is the air taxi provider that shuttle business men and women from point to point on a daily basis and actually help relieve congestion at larger airports.

These and many other smaller operators and private aircraft owners will always be far less capable of absorbing an increase in costs as substantial as what has been proposed. If such a proposal were to be implemented the net effect would be fewer operators, providing fewer operations at smaller airports, and fewer services to the public across the country.

ESSENTIAL AIR SERVICE PROGRAM

Though not a direct component of the AIP grant program, I feel it is imperative to also discuss from a small airport perspective matters pertaining to the Essential Air Service (EAS) program under the FAA reauthorization proposal.

Unfortunately once again, the current proposal would limit funding for EAS to just $50 million per year - $60 million less than the amount Congress approved for FY07. Under this proposed funding level, approximately 73 of the 147 communities that participate in the program – including Williamson County Regional Airport – would be dropped. Given the discontinuation of air service at regional airports across the country that would likely result, this would be an unprecedented tragedy in federal aviation policy.

In testimony submitted to Senate Transportation Committee in March of 2003, the General Accounting Office described the federal government's role in subsidizing air service to eligible communities as follows, "The assumption underlying these efforts is that connecting small communities to the national air transportation system is both

fundamental for local economic vitality and is in the national interest." As an airport that is reliant upon EAS to provide adequate air transportation for an entire region of communities we couldn't agree more.

This is not to say however, that our present reliance constitutes settling for permanent dependence. On a daily basis we put forth efforts to promote the existing air service with the realization that its success will be the primary factor in our ability to attract and sustain additional service as well. These efforts include working with our regional Chambers of Commerce in addition to the airline in order to achieve the greatest results. The ultimate goal is to develop the market potential we feel exists for any carrier to make a profit and operate without federal subsidy.

Williamson County Regional Airport maintains contact with the Regional Aviation Partners organization which represents small community air service airports across the country. Among its member recommendations that are currently being put forth regarding improvements to EAS, I would like to note and recommend the following be implemented:

- Establish an adequate and permanent funding source for EAS.
- Target funding to EAS provisions directed at improving service and increasing carrier interest, including the Marketing Incentive Program and Section 402 to account for significantly increased costs.
- Adjust the $200 per passenger subsidy cap to account for inflation which has not been adjusted since the cap was established in 1989, and index future levels to account for ever increasing costs.

Small Community Air Service Development Program: It is also disappointing from a small airport perspective that the reauthorization proposal does not include funding for the Small Community Air Service Development Program. This has been an innovative program that has understandably received great interest among airports. Last year alone there were 75 proposals from airports and communities in 37 states requesting more than $32 million to support air service development initiatives. As could be expected, the demand for funding under this program far exceeded the $10 million appropriated in FY06.

Williamson County Regional Airport was able to receive a grant of over $200,000 under this program in 2002. A majority of this funding went toward advertising efforts to promote our existing service, while the remainder was applied toward hiring a consultant in an effort to contact other airlines in hopes of attracting additional service. The results since that time show that enplanements have increased we believe in part due to the greater awareness of the service that exists in our market through advertising. In addition, we do now have a second carrier providing service. Though this additional service is primarily a result of a two year revenue guaranty provided by the State of Illinois, we feel that our previous contact with the airline through our consultant also

played a significant role in the carrier's awareness and interest of our market potential.

Given the number of communities and airports that have a need and potential for improving air service in their markets, I would ask that you authorize $50 million per year for the Small Community Air Service Development Program. One of the key aspects that we found during our involvement with the program is that it truly focuses efforts on what can make improvements at individual airports by allocating resources directly to those who are most familiar with their market needs.

FAA CONTRACT TOWER PROGRAM

An additional component of the reauthorization proposal that inherently has great significance to smaller airports is the FAA's Contract Tower Program. The Contract Tower Program is a vital safety and economic asset to smaller airports such as ours throughout the country. Currently, the program includes 233 FAA contract towers in 46 states, accounting for approximately 25 percent of control tower aircraft operations nationwide.

As a result of this 25-year government/industry partnership, the Contract Tower Program has helped smaller airports retain and develop commercial air service and general aviation operations; enhanced aviation safety at airports that in many cases would not have a control tower; promoted economic development and created jobs locally; and consistently received high praise for customer service from pilots, airlines, FBOs, flight schools, and corporate flight departments.

Williamson County Regional Airport is very active with the American Association of Airport Executives in enhancing the Contract Tower Program for both fully funded and cost-share towers. As such, we ask that the subcommittee consider making the following changes to the program as part of your consideration of the FAA Reauthorization Bill:

- Change the timing of the B/C calculation: Airports with a B/C above 2.0 for 3 consecutive cycles, retroactive to 2002, are not subject to review for another 3 consecutive cycles. Airports that fall below a B/C of 1.0 have a minimum of 1 additional cycle to either increase traffic, or budget for the cost-share program.

- Apply discontinuance B/C ratio, not establishment criteria, to operating non-federal towers to determine the B/C ratio for inclusion in the program.

- Broaden AIP eligibility for contract tower construction and equipment and increase maximum federal participation in new contract tower construction to $2.5 million per tower.

- Authorize $8.5 million for FY/08 for the program, with $500,000 increases in each subsequent fiscal year.

- Include language allowing FAA to use fully funded tower appropriations to pay for cost-share towers if necessary and vice versa.

- Establish uniform standards and requirements for contract tower safety audits.

Williamson County Regional Airport is reliant upon the contract tower program, and as mentioned earlier, will likely be dependent in the short-term on the cost-sharing provisions to maintain these services. In our operating environment, which among other operations consists of a mix of student pilot training from nearby Southern Illinois University's flight program and our scheduled air carrier flights, maintaining ATC services is essential to safe operations.

In our region alone, neighboring airports in Carbondale and Paducah, Kentucky are also reliant upon the contract tower program. Barkley Regional in Paducah is also dependent upon the cost-sharing provisions of the program, and in recent discussions indicated adequate funding for this portion of the program as their top priority.

The changes proposed above, and your continued support, will be critical to making a good program even better, to the benefit of the traveling public and the small communities that depend on these federally funded towers to improve safety and accessibility to their airports.

CONCLUSION

Mr. Chairman and members of the Subcommittee, I began my career in aviation in 1993. Within that period of time I have seen a number of initiatives and proposals come and go, some that have resulted in successful improvements for our industry, and some that have not. The one constant however, year after year, has been the challenge to adequately fund our nation's airports through AIP.

Ironically, in those early years I seem to recall the main theme of discussion between airports and Congress being the surplus in the aviation trust fund and allowing airports to access and utilize the funds for which they were intended. Since the events of 9/11 we have seen that surplus dwindle due in large part to the utilization of AIP funds to meet increased security requirements. The aviation industry as a whole however, continues to evolve and improve since the events of that day not so long ago. In time, under the existing funding mechanisms in place, I am confident that we will find that the aviation trust fund remains capable of adequately funding our system.

With the FAA reauthorization proposal before us, we are at a critical point in aviation, and I am truly excited to see how our decisions now will help shape the success of our industry in the years to come. It is a fundamental responsibility of government to invest in its nation's transportation infrastructure. In our developed society and an ever increasing global economy, airports have become a cornerstone of that transportation

infrastructure. We must however change the current funding paradigm of our nation's air transportation system to realize that adequate airport funding is in fact the foundation from which everything else is achieved. Without a well planned, operated and maintained system of airports throughout our country, any other improvement in aviation has little significance.

Thank you, Mr. Chairman, for this opportunity to present my views on the Airport Improvement Program. I am honored to be a part of this process, and to that end, I will be more than happy to provide any additional information now or in the future that you may require.