

TESTIMONY
BEFORE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE'S
SUB COMMITTEE ON AVIATION
FOR
FEDERAL AVIATION ADMINISTRATION
AIRPORT IMPROVEMENT PROGRAM
AND
RELATED ISSUES

PRESENTED BY:
Gary W. LeTellier, AAE
Executive Director
Coos County Airport District
Southwest Oregon Regional Airport
P.O. Box 'F'
2348 Colorado Avenue
North Bend, Oregon 97459
Telephone: (541) 756-8531

March 28, 2007

**Statement of
Gary W. LeTellier, A.A.E.
Executive Director
Southwest Oregon Regional Airport
and the President Elect of the
Oregon Airport Management Association
Before the
House Transportation and Infrastructure Committee, Sub Committee
on Aviation of the
U.S. House of Representatives**

March 28, 2007

Chairman Costello, Ranking member Petri, Congressman DeFazio and members of the House Aviation Sub Committee, thank you for inviting me to appear before your sub committee to discuss the reauthorization of the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP). I am testifying on behalf of the Coos County Airport District, owner and operator of the Southwest Oregon Regional Airport, a non-hub commercial service airport on the coast of Oregon and the only elected independent airport authority in the Pacific Northwest.

As a small non-hub commercial service airport, our planning and capital needs for new development and renewal and replacement of aging infrastructure are all met through the AIP and Passenger Facility Charge (PFC) programs authorized by the Congress. Unlike our larger airport brethren, our revenue stream is not sufficient to demonstrate feasibility for the sale of revenue bonds as a source for our capital funding needs. The truth is few non-hub airports can. We must rely almost exclusively upon AIP entitlement funding, PFC authority as a match and the rare discretionary and or State grant. So Federal AIP reauthorization is always an anxious time for us.

Increase AIP Funding:

Operating margins are much tighter for non-hub airports, but growth in the form of increasing demand upon our facilities, inflation and increasing construction costs are just as real as they are at the larger airports. The Administrations request for \$2.75 billion of AIP in FY 08 is about \$1 billion less than what the Congress has authorized for this current Fiscal Year. Even the highest proposed level for FY2010 of \$3.05 billion would be less than the amount that the Congress authorized for AIP six years ago. The proposal would also reduce the total entitlements for non-hub airports like the Southwest Oregon Regional Airport from \$307 million to \$269 million, a \$38 million reduction year over year. It also appears as if the Administration's proposal to replace the small Airport Fund with a new Small Airport Discretionary Fund could cost small airports collectively a total of about \$430 million next year. Like our colleagues we urge this Congress to increase

AIP funding so that the program can at least keep pace with increasing construction costs and that you protect small communities like ours from penalties being imposed by proposed formula changes for the distribution of AIP funding.

In earlier testimony, several airport representatives have expressed concern over the Administration's proposed reduction of the Federal share for AIP projects. According to the FAA's own records, AIP funding accounted for 94% of all capital expenditures for non-hub airports in FY 03. This new proposal would decrease the eligible share for a qualified AIP project at a small or non-hub airport from 95% to 90%. For a typical \$5 million runway overlay, this project would require \$500,000 in matching funds. In our case, PFC's are used for AIP match and at the Southwest Oregon Regional Airport the maximum PFC's that can be collected are about \$163,000 in any given year. Our working capital and reserves are an additional \$300,000 collectively so that one can see that a simple renewal and replacement project like a runway overlay becomes impossible without some other source of supplemental income. Given the growth that our airport is experiencing, a 5% increase in matching fund requirement now would prevent us from moving forward with many of our planned construction projects.

Increase the PFC Cap:

This brings me to the issue of PFC's. According to research performed by the American Association of Airport Executives (AAAE), after considering the effects of inflation and increases in construction costs, the PFC has been eroded considerably since The Aviation Safety and Capacity and Expansion Act of 1990 enabled the \$3.00 PFC. A \$3.00 PFC in 1990 is expected to be worth only \$1.73 in 2007 and a \$4.50 PFC enabled by AIR-21 in 2000 is expected to be worth only \$2.86 in 2007. AAAE's analysis goes on to project that a \$4.50 PFC in the year 2000 adjusted for inflation and increased construction costs would need to be \$7.20 in the year 2007.

The Administration's proposal to raise the cap on PFC's to \$6.00 although encouraging, is not enough to overcome the effects of inflation and increasing construction costs. We therefore, join our airport colleagues in asking the Congress to raise the PFC to at least \$7.50. This increase will offset inflation and the construction cost increases that are currently being experienced and prevent further erosion of our ability to complete our capital programs. We also would support the inclusion of a provision that would index PFCs to account for future increases in inflation and the overall cost of construction. Given our hypothetical \$5,000,000 runway scenario above and applying the 5% match along with the higher PFC authority one can see that the project becomes feasible. Airports like ours routinely operate on the thinnest of margins.

Stable Funding Source for AIP:

We believe that it is important to ensure that there is a stable source of funding to pay for the Airport Improvement Program and we are concerned about the Administration's proposal to increase general aviation (GA) fuel tax to pay for AIP. The Administration's proposal would increase the GA taxes from about 20 cents per gallon to 70 cents and risk crippling Fixed Base Operators (FBOs) at smaller airports that depend on the GA owner/operator for service and fuel sales. It is difficult for us to accept the premise that

the tripling of general aviation fuel taxes will provide the stable funding stream for AIP that is necessary for airports to maintain safe and secure facilities. Exchanging excise taxes for new user fees is an issue beyond our ability to properly analyze at the local level, but one that we would hope that this Committee and the Congress would not approve without guaranteeing the integrity of the Trust Fund System. Sometimes the best intentions have unforeseen consequences. In this case, we believe that a large increase in general aviation fuel taxes has the potential to devastate the segment of our industry that manufactures, sells and services smaller piston powered GA aircraft. We of course have no way of substantiating that, but honestly do not think that the current system is defective and we are reluctant to bet one of our lines of business on the outcome.

Small Community Air Service Development Program:

Small and rural communities with Non-hub airports like ours have struggled since deregulation. There is a very deliberate trend toward fewer flights to these communities even though overall passenger levels are continuing to increase across the country. Congress and the Administration should work together to ensure that these small and rural communities can continue to have access to our national aviation system. The Southwest Oregon Regional Airport was fortunate to be the recipient of a Small Community Air Service Development Grant this last year and is currently in negotiations with Sky West Airlines, a United Express carrier for non stop service to San Francisco from Coos Bay, Oregon. Without this grant, we would continue to be tied to a monopoly carrier with high fares and inadequate service. It is disappointing that the Administration's proposal does not include funding for this vital program. Over 150 grants have been awarded to small communities like ours over the last four years and it is safe to say that the annual applications for this type of assistance far exceeds the amount of money that has been available in past programs. We urge this committee to restore this program and authorize up to \$50 million for the Small Community Air Service Development Program per year.

Contract Tower Cost Share Program:

The FAA Contract Tower Program has provided air traffic services at small airports since 1982. Currently 233 airports in 46 states participate in the program. This represents 45% of all control towers in the United States. As a result of this program, the FAA Contract Tower Program has helped smaller airports retain and develop commercial air service and general aviation; enhance aviation safety at airports that in many cases would not otherwise have a tower; promote economic development and create local jobs, and consistently receives high marks for customer service from aviation users. The Southwest Oregon Regional Airport has seen a dramatic transition in recent years with its aircraft mix changing from the more traditional small general aviation piston powered aircraft to a predominance of much larger jet transports. This in part has been due to the opening of the world renowned Bandon Dunes Golf Resort just 20 minutes south of our airport bringing a huge influx of private and corporate jet traffic. Our facility is one of the last uncontrolled commercial service airports on the west coast and thanks to Congressman DeFazio's efforts, we are currently constructing a new Air Traffic Control Tower. AIR-21 included a Contract Tower Cost Share Program for airports like ours that fall slightly below the eligibility criteria for full participation in the Contract Tower

Program. There are 26 airports that fall into this category and our pending application will probably make us number 27 in that queue. It has been estimated that an additional eight airports will enter the program by the end of FY 08. We urge this subcommittee to continue the authorization of this very important program by authorizing \$8.5 million in FY08 for the Contract Control Tower Cost Share Program with an increase of \$500,000 per year there after.

Conclusion:

Chairman Costello, Ranking Member Petri, Congressman DeFazio and members of the House Transportation and Infrastructure Subcommittee on Aviation, thank you for inviting me to appear here today and allowing me to comment on the Administrations Federal Aviation Administration reauthorization proposal. It is clear that the FAA and the Department of Transportation (DOT) have spent a great deal of time on their Next Generation Air Transportation System (NextGen). Certainly, the task before you is not an easy one, but this Sub Committee has a reputation and strong record of supporting the airport and aviation industry as relates to capital development and the protection of a stable funding source for the Aviation Trust Fund. We urge you to continue this support by reporting out a reauthorization bill that will continue to improve safety, increase capacity of our National Aviation System Plan and reduce delays for our passengers.