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Statement of Aircraft Owners and Pilots Association

for the Record

for the

**U.S. Senate Finance Committee
Subcommittee on Energy, Natural Resources & Infrastructure**

Hearing

On
Aviation Financing

July 19, 2007

The Aircraft Owners and Pilots Association (AOPA) is a not-for-profit individual membership organization of more than 412,000 pilots. AOPA's mission is to effectively serve the interests and needs of its members as aircraft owners and pilots and establish, maintain, and articulate positions of leadership to promote the economy, safety, utility, and popularity of flight in general aviation aircraft. Representing two thirds of all pilots in the United States, AOPA is the largest, civil aviation organization in the world. The U.S. accounts for 75 percent of all general aviation activity.

Pilots flying in the United States experience first hand the safest and most efficient air transportation system in the world. The 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.

A majority of these individual pilots and aircraft owners pay for the aviation excise taxes out of their own pockets, like we do for automobile gas, and as you might imagine, are extremely interested in FAA reauthorization and the debate over FAA funding.

AOPA member's sentiment about the current economic condition of the general aviation economic environment is at a six year high. In a recent survey, more than 50 percent of AOPA members rate it as "good" or "excellent." This is due in large part to the technology being incorporated into the aviation system. General aviation pilots were early adopters of satellite technology with more than two-thirds of AOPA members currently using GPS as their primary means of navigation. As a group, pilots are supportive of the move from 1950's radar to ADS-B, the central component of the Next Generation Air Transportation System (NextGen) that modernizes the nation's air traffic control (ATC) system.

AOPA has been involved in the proof of concept for this new technology, known as the Capstone program field-tested in Alaska that has contributed to a reduction of fatal accidents by 49 percent. For over seven years, AOPA has hosted an FAA ground uplink station in its headquarters and regularly demonstrated this technology installed in several of our company aircraft

There is no doubt that AOPA is committed to modernize the ATC system, the big question is how to pay the FAA an estimated \$4.6 billion needed over the next five-years for NextGen.

The FAA's and the nation's airlines two-year plus push for user fees and dramatic increases in taxes on general aviation has led to an increasing pessimism among AOPA members about the future of general aviation. The fear, based in large part from what has happened around the world, is that

ultimately pilots will be priced out of the sky. Nine out of ten AOPA members stated that if the tax on aviation gasoline is increased by 50-cents per gallon as proposed by the FAA, they will reduce or suspend their flying.

Current Financing System Works

AOPA believes the aviation system should continue to be financed through a combination of aviation taxes and general treasury funds. The aviation excise taxes have been a stable and reliable source of revenue for the FAA for over 40 years. And, Trust Fund revenues are at an all time high. Credible government officials have all testified that air traffic control modernization can be accomplished through the existing FAA tax-based funding mechanism. The Office of Management and Budget revenue projections indicate current taxes can support aviation investments. The Government Accountability Office has testified on several occasions that 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.

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. While I know that the Finance Committee does not have jurisdiction over the \$25 air traffic control modernization surcharge (user fee”) included in S. 1300, we urge your action to provide the aviation taxes necessary to fund the aviation system, eliminating the need for the \$25 fee. 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.

While the majority of AOPA members are exempt from the \$25 user fee in S. 1300, AOPA opposes user fees for any segment of aviation. User fees for any segment of aviation are the “camel’s nose under the tent” and once introduced it is only a matter of time until they apply to all users. 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. During debate on S. 1300, the \$25 user fees was frequently referred to as a starting point for the collection of fees. That is the reason AOPA’s members told us to oppose the ATC surcharge – even though the majority (those not purchasing jet fuel) of them would not be immediately covered.

With that being said, AOPA does not believe that status quo is an option. We were pleased when the House Transportation & Infrastructure Committee made its recommendation to the Ways and Means Committee to retain aviation taxes as the means to finance aviation system from aviation users. Despite a 25 percent increase in the tax on aviation gasoline and a 41 percent increase in the tax on jet fuel, AOPA members support the bill (H.R. 2881).

User Fees Harmful to Aviation/Affect Safety

AOPA members have seen that 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. Pilots in Europe's user fee system are continually faced with additional charges for use of the aviation system resulting in a decision between use of a safety service and the cost. 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. This is due to user fee pricing schemes and congestion management principals aimed at deterring general aviation pilots from using the services thus affecting safety.

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 percent 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."

Don't Give the Airlines a Tax Break

The Commerce Committee has recommended increasing the tax on general aviation jet fuel by 124 percent, while eliminating the 4.3 cents per gallon fuel tax paid by the airlines. The 4.3-cent gas tax is the only aviation tax paid by the airlines. While the airlines assert they pay 94 percent of the revenue into the aviation trust fund, it is the passengers – not the airlines - who actually pay the majority of the tax on the value of the ticket, plus a segment fee. The airlines are simply a tax collector.

General aviation is willing to help pay for air traffic control modernization but we are not willing to pay for a tax cut for the airlines. How can an airline tax break even be considered if there is need for more money to modernize the system?

AOPA urges the Finance Committee to reject this tax break for the airline industry that has received nearly \$37 billion worth of government benefits, tax breaks and bailouts over the last ten years.

Keep Air Traffic Control Modernization in Perspective

This summer, the airline community and the FAA have used the issue of delays to make several erroneous points about NextGen. First, they assert that modernization will immediately eliminate or dramatically reduce delays. This is not true. The FAA reports the single most prevalent cause of delays is weather.

And, no amount of modernization is ever going to make it safe for an aircraft to fly through a thunderstorm. Weather delays are compounded by the airlines' practice of scheduling more aircraft onto a runway than the runway can handle in a given period of time.

While incorporating new technology will improve the air traffic control system this will take time and should not be viewed as an immediate solution to problem of congestion and delays. In reality, there is a limit to the amount of improvement and capacity modernization brings.

Second, general aviation is being pointed to as a major cause of delays. Again, not true. General aviation accounts for only four percent of operations at the top ten major hubs. In fact, based on operation counts from the FAA's New York Approach Control (N90), general aviation operations are down by 9 percent since 2002. At the New York area airports general aviation is down as well. And, it is important to note that airline ground holds in New York also apply to instrument operations as well.

Aircraft Owners Will Make Significant Investments Under NextGen

While the government shouldered much of the cost for air traffic control modernization in the past, under NextGen aircraft owners will shoulder significantly more of the costs as investments are required to be made in new aircraft avionics.

Under the NextGen, aircraft upgrades to satellite based navigation and surveillance technologies are necessary, and the costs will be high. In fact, much of the FAA's NextGen plan hinges on the installation of a new generation of electronics in nearly all aircraft. The result, aircraft equipment upgrades will be as least as much, if not more, than the FAA's upgrades for air traffic control modernization over the next two decades. Even recent modernization efforts such as the Wide Area Augmentation System (WAAS) are costing the government and users about an equal share of investment -- \$10,000 per aircraft (based on WAAS system purchase price of \$2 billion and \$10,000 per WAAS receiver for 200,000 aircraft). In the future, the burden of investments will tip the scales toward the aircraft owner.

Not only will aircraft owners be required to install new equipment to continue accessing airspace they use today, they will also pay user fees if the Senate proposal becomes law. It may not be this year or next, but eventually they will pay, and when they do, the results will be disastrous to our cost-sensitive industry.

Aviation National Asset Deserves Federal Investment

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.” It is important for Congress to continue 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 nine percent 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 percent of its funds from general taxpayers. Amtrak, which accounts for 25 million passengers, receives more than 35 percent from the general fund. This clearly illustrates the disparity in treatment of aviation, which carried more than 700 million passengers in 2005.

User Fees Reduces/Eliminates Congress From Aviation Oversight

The funding and oversight system currently in place 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 gives power to the FAA Administrator leading to reduced Congressional involvement and oversight. One needs only to look at the airline’s objection to some of the proposals by citing the governing boards do not have enough airline representatives.

Fiscal Responsibility Can Come From Reduced Costs

AOPA has shown a commitment to reducing the costs of services utilized by the general aviation community while at the same time looking 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.

AOPA Is Willing to Cooperate and Be Part of the Solution

The Association recognizes that times are changing and adjustments may need to be made in the manner in which the FAA expenses are covered. For example, AOPA has not opposed the new or significant increases in various “transactional charges” for aircraft and airman registration included in H.R. 2881 and the FAA’s proposal. As an illustration, the fee for registering an aircraft is proposed to

increase from the current rate of \$5 to \$130. Based on our analysis of these charges compared with similar charges imposed on automobiles and boats, these are within the range of that charged by states. While no one wants to pay more, there is recognition that many of these have not been adjusted since the 1960s.

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 percent 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.

AOPA urges the Finance Committee to continue the stable and reliable system of aviation excise taxes to fund the FAA, eliminating the need for the \$25 user fee. 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.