

**Statement for the Record**  
**of the**  
**National Air Transportation Association**

**before the**  
**Subcommittee on Aviation**  
**Committee on Transportation and Infrastructure**  
**U.S. House of Representatives**

**Hearing on**  
**Federal Aviation Administration Reauthorization: Stakeholders**

**February 9, 2011**

**2167 Rayburn House Office Building**  
**Washington, DC**

Chairman Petri and Ranking Member Costello, the National Air Transportation Association (NATA) appreciates the opportunity to submit the following statement to be included in the record for the Subcommittee on Aviation's February 9, 2011 hearing regarding the Federal Aviation Administration Reauthorization Act of 2011.

NATA, the voice of aviation business, is the public policy group representing the interests of aviation businesses before the Congress, federal agencies and state governments. NATA's 2,000 member companies own, operate and service aircraft. These companies provide for the needs of the traveling public by offering services and products to aircraft operators and others such as fuel sales, aircraft maintenance, parts sales, storage, rental, airline servicing, flight training, Part 135 on-demand air taxi, fractional aircraft program management and scheduled commuter operations in smaller aircraft. NATA members are a vital link in the aviation industry providing services to the general public, airlines, general aviation, and the military.

NATA strongly believes that the strength of our national airspace system and its ability to meet future demands is dependent upon the federal government's obligation to provide adequate infrastructure. A critical step in meeting that obligation is for the Congress to pass a comprehensive, long-term Federal Aviation Administration (FAA) reauthorization bill that will help provide the resources necessary to enable our country to meet the current and growing demands being placed on our aviation system. As air traffic continues to reach record levels in both the commercial airline and general aviation sectors, it is imperative that the Congress and the FAA work together to create a roadmap that will accommodate all facets of the industry. In addition, the economy has had a tremendous effect on the aviation industry and NATA is hopeful that the new authorizing levels for the Airport Improvement Program (AIP) and Facilities and Equipment account (F&E) provided in the bill will not only benefit aviation infrastructure but also create valuable jobs.

#### **Airport and Airways Trust Fund**

As you know, the Airport and Airways Trust Fund (Trust Fund) is the primary source of funding for the FAA's capital programs, including F&E, which fund technological improvements to the air traffic control system (NextGen), research and development (R&D) and AIP. With increased demand on Trust Fund revenues, the financial health of the Trust Fund is imperative to ensure sustainable funding for a safe and efficient aviation system.

The Government Accountability Office (GAO) testimony before the U.S. Senate Committee on Finance suggested options for ensuring the sustainability of the Trust Fund. The GAO proposed that the Congress either take action by increasing general fund contributions or increasing Trust Fund revenues by including additional taxes on commercial airlines such as a tax on baggage fees and amending the Internal Revenue Code to require the revenue be deposited into the Trust Fund. Another source of revenue that NATA supports is increasing general aviation fuel taxes on general aviation jet fuel and aviation gasoline as part of the tax title of FAA reauthorization legislation. A reasonable tax increase allows general aviation operators to provide more revenue to the Trust Fund. In addition, we believe the current system of aviation excise taxes has proven to be a stable and efficient source of revenue for the Trust Fund as opposed to other funding mechanisms that have been proposed in the past few years.

### **Proposed Reductions to FAA Budget**

With a record federal deficit, the newly elected Congress is hard pressed to cut federal spending. Included in the major funding reductions is a proposal to withhold \$1.3 billion from the FAA's operating budget. NATA remains concerned that funding reductions would further delay NextGen implementation, thereby, proving more costly to the federal government.

### **Next Generation Air Transportation System (NextGen)**

NATA believes that modernizing the nation's air traffic control system is essential to keeping this vital transportation sector of our economy strong. The existing U.S. air routes operate as narrow, pre-determined paths in the sky, thus airspace is crowded between airports with the most air traffic. Aircraft are separated from each other by defined vertical and horizontal distances. The architecture of the current ground-based navigation system does not allow for the use of the abundance of the entire airspace system. By utilizing new technologies, airspace routes can be better defined, allowing more aircraft and more routes to be determined within the airspace.

### **NextGen's innovation benefits to general aviation include:**

- ❖ Greater access to terminal airspace
- ❖ Sustenance for small airports
- ❖ Carbon emissions reduction
- ❖ Improved weather information

The FAA's capital investment is projected to be approximately \$12 billion through 2018, not including research, airfield improvements and aircraft

equipment that are necessary to realize the full potential of NextGen. This significant investment is vital to the safety and productivity of our nation's airspace system.

### **Airport Improvement Program**

The Airport Improvement Program (AIP) is the lifeblood of our nation's aviation infrastructure development, and has helped airports of all sizes make the necessary capacity expansion and safety improvements that have enabled our air transportation system to remain the best in the world. Construction of new runways and runway extensions provides the most significant capacity increases at airports and creates jobs.

Increased funding is needed to ensure that the AIP program can continue to provide airport safety and capacity needs. AIP funding has received level funding of \$3.5 billion for more than five years. With the possibility of funding reductions, NATA is apprehensive that critical infrastructure projects will not be completed, resulting in further aviation infrastructure decline and potential risk to our nation's exceptional safety record.

### **Aviation Gasoline**

General aviation stakeholders have been diligently working to develop a plan for identifying, evaluating and transitioning to an unleaded fuel. The difficulty of this task is due to the technical complexity and safety implications of removing lead from aviation gasoline. There is not a high-octane replacement fuel available today that meets the requirements of the entire general aviation fleet of aircraft. NATA has worked in partnership with general aviation stakeholders, the FAA and the U.S. Environmental Protection Agency to establish a realistic standard to reduce lead emissions from general aviation aircraft. NATA supports provisions directing the FAA administrator to take a leadership role in safely addressing piston-engine aircraft emissions.

### **NATA supports the following provisions:**

#### **➤ Consistency of Regulatory Interpretations**

NATA would like the bill to require that the FAA establish an advisory committee, comprising both government and industry representatives, to review the October 2010 GAO report on FAA certification and approval processes. The committee should develop recommendations to address the findings and other concerns raised by the aviation industry on the agency's inconsistency in approving regulations.

➤ **Study of Part 135 Industry**

In 2000, the Congress, as part of the Aviation Investment and Reform Act for the 21<sup>st</sup> Century, directed the FAA to conduct a comprehensive review of the on-demand air charter industry. NATA believes the upcoming FAA reauthorization bill must once again direct the FAA to conduct a thorough review of the Part 135 on-demand charter industry. Items to study should include the total annual hours flown, revenue estimates, fleet data, airport usage, and safety records. The FAA should attempt to update the study on an annual basis.

➤ **Repeal the Fuel Fraud Provision**

NATA supports a provision to repeal the fuel fraud tax included in the 2005 Highway bill. The purpose of the tax was to counter potential fuel fraud from highway truck drivers attempting to avoid higher taxes by buying aviation jet fuel and mixing it with another substance to make it operable in highway trucks. The 2005 Highway bill resulted in an increase in funds to the Highway Trust Fund that would have otherwise been deposited into the Airport and Airways Trust Fund. In addition, the change in fuel tax collection burdened aviation operators with the requirement to submit additional paperwork to obtain tax refunds. A tax increase on aviation kerosene essentially removes the incentive for fraud.

➤ **Airports Providing Aviation Services**

In a growing trend, airport operators are seeking financial growth at their airport by competing with, or in some cases taking over the services of, fixed base operators (FBOs) by providing aeronautical services such as fueling or maintenance at their airport. Current conditions in the aviation industry, including the distressed financial condition of the airline industry, have left airport operators scrambling for alternate sources of revenue. Aviation businesses at the airport are among their first targets in the search for this increased revenue stream. While it is the airport sponsor's right to venture into the business of providing aeronautical services, this practice can have detrimental effects for both the airport and its tenants. The practice of airport authorities seeking to compete with private business at the airport results in strained tenant/airport operator relations at the airport, is not cost effective, and usually has a negative impact on the airport's attempts to achieve greater operating and financial targets. By entering into the ground support side of operations, an airport authority is distracted from its duties to manage the airport successfully. Anti-trust laws are also an issue, especially in cases when a local or state government runs the airport.

There is a high cost to be paid when government competes with private industry. Economic effectiveness is the largest problem, as government-run ventures are neither as responsive nor cost-effective as private industry. When a government entity, such as an airport authority, duplicates what is provided in the competitive market, government pre-empts competition, stifles entrepreneurial opportunity, destroys economic growth, and raises the price of doing business at the cost of the taxpayer. While airports may offer a less expensive product, they are able to do so because they are subsidized by the taxpayer. The government-run "business" eliminates market incentives that produce economic efficiency and greater wealth for both buyers and sellers.

Elimination of the privately run businesses also impacts local, state and federal tax revenues. Private enterprises pay property taxes and annual income taxes from which government-owned and operated businesses are typically exempt. NATA supports a provision prohibiting airports from providing aviation services.

### **Conclusion**

As the Congress moves forward with this critical piece of legislation, NATA looks forward to working to ensure the bill will benefit all aviation users. All of us know that, ultimately, it is the traveling public who will realize the benefits of an improved air traffic control system. We look forward to working with the subcommittee during the reauthorization process and are eager to serve as a valuable resource on aviation businesses during this critical debate.