

Statement of  
Timothy R. Obitts  
President and Chief Executive Officer  
National Air Transportation Association  
Submitted to the  
United States Senate Committee on Commerce, Science, and Transportation  
Subcommittee on Aviation  
May 6, 2020

Chairman Wicker, Ranking Member Cantwell, Chairman Cruz, and Ranking Member Sinema:

The National Air Transportation Association has been the voice of aviation businesses for 80 years. In 1940, general aviation in the U.S. was at risk. With the looming threat of war, the U.S. Army sought to ban all flights by privately owned aircraft in the national airspace. That year, 83 charter members representing all types of general aviation businesses unified as a singular voice to successfully tell Congress and the Administration to keep the airspace open to this important industry.

Today, NATA represents nearly 3,700 aviation businesses across a broad cross section of the industry, including FBOs, Part 135 air carriers and fractional ownership companies, flight training, maintenance, airport sponsors at over 330 general aviation airports, air medical operators, and others. The Association serves to elevate the safety and professionalism of its members by convening industry thought provoking leadership on its policy committees, examining contemporary issues, and pursuing solutions that prioritize safety and economic viability. To that end, the Association's ongoing major policy initiatives include a campaign to educate and end the practice of illegal air charter, efforts to reform outdated hangar fire protection standards, elevating the professionalism of the air charter broker industry, and promoting a consistent regulatory framework that collectively maximizes safety and viability.

### **Fixed Base Operators**

Fixed base operators (FBOs) are the primary service and fuel providers to general aviation aircraft operators. The FBO industry in the U.S. today are located at 3,233 airports around the country. FBO's may also provide maintenance; aircraft rentals, charters, aircraft management and/or aircraft sales; or flight instruction.

Additionally, at many Part 139 commercial airports FBOs also perform line maintenance, cabin cleaning, and baggage handling for Part 121 commercial, passenger, and cargo airline customers.

### **Airports**

One of NATA's fastest-growing membership categories is general aviation airports. Over 330 airport sponsors are NATA members. General aviation airports, 4500 in total, are vital economic engines, serving as arrival and departure points for economic developers, components for local manufacturing, agriculture missions, fire-fighting hubs, and access to critical medical care, especially in remote communities. By contrast, scheduled air carriers fly only to those places where the economics of operation justify service, approximately 500 airports nationally.

### **Maintenance/Repair Stations**

The term "repair station" refers to a maintenance facility that has a certificate issued by the Federal Aviation Administration (FAA) under 14 CFR Part 145 and is engaged in the

maintenance, preventive maintenance, inspection, and alteration of aircraft and aircraft products. Another more general term used throughout the industry is MRO, referring to repair stations as maintenance, repair, and overhaul facilities.

### **Flight Training**

Across the country, a number of accredited universities and colleges integrate a flight training curriculum under 14 CFR 141 into the academic requirements for a degree in aviation science, educating the next generation of aircraft captains. In addition, many FBOs and independent flight instructors provide flight training under 14 CFR Part 61.

### **Part 135 On-Demand Air Charter**

One of the most important contributions of general aviation is providing on-demand (or as needed) transportation for freight and passengers – especially to airports that have no scheduled commercial air carrier service. Most operators using general aviation aircraft in a for-hire passenger and/or cargo service are certificated to operate under 14 CFR Part 135. Aircraft used in on-demand air charter operations are limited to no more than 30 passenger seats and a 7,500-pound payload.

Part 135 air charter businesses conduct numerous types of operations, including medical flights.

### **Fractional Ownership Companies**

For those who do not need the use of an airplane full time, fractional ownership plans offer all of the benefits of private aviation, including on-demand transportation, consistently high service levels, and an excellent safety record.

As the term fractional implies, participants are brought together to buy into a specific airplane, with each holding a fractional share entitling them to usage of an airplane on a predetermined hourly basis, normally over a 12-month period. The day-to-day operational management of an aircraft involved in a fractional plan is carried out by the plan's operator who is responsible for the acquisition and management of the aircraft on behalf of the shareholders. This operator also provides flight crews and takes charge of maintenance and scheduling.

### **Aeromedical Services**

Approximately 250 organizations in the U.S. are currently engaged in the transport of seriously ill or injured people to hospitals for emergency care. Air medical transport saves lives by bringing more medical capabilities to the patient than are normally provided by ground emergency medical services, along with faster transit times to the appropriate specialty care location, services not typically provided by commercial air carriers.

### **Aircraft Brokers, Dealers, and Distributors**

General aviation aircraft are marketed for sale primarily through dealers and brokers. The sale of new aircraft is handled by independent distributors.

Since its foundation, NATA has not only focused on advocacy, but also on elevating the safety and professionalism of the industry. NATA's Safety 1<sup>st</sup> program is the industry standard for training general aviation support personnel. Since 2008, Safety 1<sup>st</sup> has trained over 40,000 individuals. With Safety 1<sup>st</sup>, organizations and training administrators are empowered with flexible tools allowing them to customize learning pathways to meet the specific needs of their operations and the specific learning needs of their team members. However, at its core, the SFTC still employs its unique approach to online learning by blending online content and assessment with locally provided on-the-job (OJT) training and practical skills assessment. Topics include misfuelling avoidance, aircraft movement and ramp safety, regulated hazmat handling, and flight coordinator training.

NATA also is represented on numerous working groups with U.S. Customs and Border Patrol and the Transportation Security Administration on issues pertaining to general aviation security.

Over the years, NATA has worked with policymakers at the Federal Aviation Administration (FAA) and in Congress, including the Senate Committee on Commerce, Science, and Transportation to effect real policy changes that positively impact safety and ensure the economic viability of our industry, including key provisions in the *FAA Reauthorization Act of 2018* that promote a more efficient regulatory framework, beginning to identify policy options to end the practice of illegal air charter, and important safety improvements.

NATA's statement will focus on three subjects. First, the impact of the COVID-19 pandemic on our industry. Second, it will provide perspective on the implementation and effects of the CARES Act, and will close with policy recommendations we believe will lay the foundation for the next era of a prosperous industry.

A viable general aviation industry is imperative to the existence of commercial airlines in this country. As the airlines return to service they will need to rely, as they always have, both directly and indirectly on a network of general aviation businesses to support their operations. But today, those businesses are struggling and their future is unclear. A shrinking general aviation industry will fundamentally alter the commercial aviation system that Congress worked to save in the CARES Act.

### **The Impact of COVID-19**

Commercial aviation in the U.S. can only function because it is a part of an interconnected industry that relies heavily on a general aviation workforce for supply chain, service, support, and workforce development. Congress acknowledged the national significance of the commercial airlines by providing them assistance in the CARES Act. As a condition of the

receipt of their grants and loans, however, the U.S. Department of Transportation has required air carriers operating under 14 CFR 121 to maintain certain minimum levels of service along the routes within their networks. But meeting such obligations will be difficult for air carriers in the absence of general aviation businesses that support their operations.

In the week prior to the first case of COVID-19 in the United States, industry news reported earnings for air charter were up, the aircraft sales markets were solid, and some FBO's were reporting a record year as they closed out their financials for 2019.

In the weeks that followed, companies began quarantining flight crews who returned from international trips, aircraft manufacturers began issuing guidance on aircraft sanitization, and industry observers calling the pandemic the "biggest gut punch to the industry" since the September 11, 2001 terrorist attacks.<sup>1</sup>

On March 16, 2020, NATA led the general aviation industry in sending a letter to Secretary of Transportation Elaine Chao, asking that general aviation be allowed to continue its record of operating safely during times of crisis. We thank the Secretary and FAA Administrator Dickson not only for keeping the national airspace open to general aviation, but for proactively working to promote a regulatory posture that prioritizes safety while providing the industry with much needed flexibility.

While NATA member companies responded quickly, developing and implementing standard operating procedures for aircraft cleaning and sanitizing, passenger facilitation, and daily operations, many companies that traditionally used Part 135 or fractional ownership operators to transport staff implemented travel bans that led to declines in levels of activity never before seen in general aviation.

Acknowledging the vital role they play, the CISA guidance issued March 28, 2020 in response to the COVID pandemic designated most general aviation workers as "essential." The majority of NATA member companies are small businesses. In times of crisis, they are best equipped to provide lifesaving support and time sensitive supplies. These businesses support the movement of flights carrying medical and testing equipment, key personnel, and humanitarian relief supplies.

For example, Grandview Aviation, a NATA member and small business based in Baltimore, Maryland has been in operation since 2004. Grandview is a Part 135 air carrier operating seven aircraft with 49 employees. Prior to the pandemic, Grandview usually flew 400 hours per month, which has declined sharply to around 50 hours per month due to a decline in discretionary travel.

---

<sup>1</sup>March 16, 2020. Bruno, Michael. "How COVID-19 Could Change the Aerospace and Defense Supply Chain." The Weekly Business of Aviation.

However, Grandview also transports organ transplants, which saw an increase as the COVID-19 crisis worsened. They must maintain three crew shifts on daily to ensure it can be ready to fly at a moment's notice. Normally, Grandview supports the higher overhead associated with organ flights by flying private passenger charters. However, passenger operations have completely stopped since shelter in place orders were enacted. While Grandview received support through the PPP, they are unsure whether they will receive support under Title IV of the CARES Act, and believe they will have to reduce staffing to a level that will make it impossible to complete these vital organ flights and ground most or all of the fleet by June if additional assistance does not materialize.

An essential lifeline to rural America, general aviation companies operate at nearly 4,500 airports and thousands of cities that are not served at all by the airlines, but are nonetheless impacted by major changes in industry activity. The aviation activity in these cities and towns supports good paying jobs, economic activity, and connectedness. General aviation airports and general aviation businesses support EMS, agriculture flights, police work, Border Patrol, executive transport, cargo, flight schools, vocational schools, research, drones, powerline patrol, pipeline patrol, conservation efforts, fire control/fighting, construction, seismic work, sightseeing, organ transport, non-emergency medical transport, charter, and providing medical staff from major cities to the community to provide routine medical service.

Companies like Grandview are optimistic that they will see a rebound in business when the pandemic subsides; a number of their regular clients are elderly and immunosuppressed who choose to charter specifically out of health precautions.

### **Implementation and Effects of the CARES Act**

Title IV of the CARES Act provided relief to certain aviation businesses, some of whom are NATA members. However, many of those businesses, including those eligible as "contractors" to the commercial airlines have not yet received funding.

Air carriers operating under Part 135 were eligible for assistance under Title IV of the CARES Act. NATA thanks Congress for its attention to the concerns of this important segment of the industry, which has played a key role in delivering personal protective equipment (PPE) and medical personnel in pandemic response efforts. While Part 135 air carriers fulfill critical and time sensitive missions that cannot be completed by commercial airlines, many of the businesses that support the existence of the commercial airline industry that Congress prioritized in the CARES Act and support rural America did not receive assistance under Title IV.

NATA thanks this Committee and its staff for providing contact with key officials at the Department of Treasury to discuss implementation of the Title IV relief programs. We have found the Department to be responsive and receptive to our inquiries, even incorporating a number of our concerns in subsequent programmatic guidance. NATA was able to share with the

Department the aspects of Part 135 businesses that would make, for example, mandatory service levels or the proffering of financial instruments unworkable for most of the industry. We appreciate that the Department incorporated those recommendations when implementing the programs.

NATA member companies who have received Title IV assistance are pleased that the funds allow them additional flexibility during what could be a protracted recovery. And while we can appreciate that the Department of Treasury has been inundated with both applications and efforts to provide assistance quickly, the Association is aware of many members – in particular those who are eligible as Part 135 passenger air carriers, air cargo operators, and contractors to the airlines – who applied before the priority deadline of April 3<sup>rd</sup> and, as of today, have still have not received funding. Additionally, confusion about the particulars of the program and what would be required of participants that were not Part 121 passenger air carriers led to many eligible businesses who desperately need the relief not filing by the April 3<sup>rd</sup> priority deadline or not filing altogether..

The CARES Act also provided \$10 billion of assistance to airports. However, out of the \$10 billion only \$100 million went to the 4,500 general aviation airports, with the remainder going to just over 500 Part 139 certificated airports that serve Part 121 commercial passenger air carriers. This led to thousands of general aviation airport sponsors being eligible to receive \$30,000 or less under the CARES Act, with many receiving only \$1,000, while general aviation airports report declines in activity between 75% to over 95%. Per longstanding FAA policy under FAA Grant Assurance 24, airports that receive funds from the FAA are required to be as financially self-sustaining as possible relying on user fees and rental income from tenant businesses. Those businesses are part of a broader operational ecosystem, and when they are unable to meet payroll obligations and the terms of their tenancy agreement with their airport sponsors, it imperils the ability of the airport to operate safely and efficiently.

While the Paycheck Protection Program (PPP) created by the CARES Act may have supported some general aviation businesses for a period of 8 weeks, the future of these essential businesses is unclear as air traffic – and revenues – continue to decline. The PPP funds authorized in the CARES Act were allocated in two weeks, and as of today, the second round of funding is largely allocated, despite myriad of technical problems and difficulties with the application process. Likewise, the Emergency EIDL Grant program through SBA continues to experience problems. But perhaps most disconcerting is the fact that nearly half of the FBOs across the nation are owned and operated by the airport sponsor, most often the local unit of government; thus, these critical system stakeholders were not eligible for PPP assistance at all. Faced with a decision to allocate scant federal assistance to the airport or to, perhaps, a local health system, local government officials have little choice. As the pandemic subsides, loss of critical aviation infrastructure will jeopardize the revitalization of our nation's commercial aviation system, and

for a network of such strategic importance to our nation, cannot rely on a program with a history of mixed success.

### **Recommendations to Preserve an Essential Industry**

The future of our nation's commercial aviation industry will rely on robust general aviation activity to support it.

Because of the unique nature of our industry, experts are predicting a lengthy recovery period, well beyond the term of assistance provided by the PPP. Beside payroll, the lease obligations of NATA member companies to the sponsors of the airports on which their businesses reside represent one of the most significant operational expenses. And in many cases, the lease arrangements between an airport sponsor and tenant business include a Minimum Annual Guarantee (MAG). Thus, lease obligations also represent one of the largest vulnerabilities during times of reduced aviation activity. But because the airport sponsors rely on this revenue to finance the day-to-day operation of the airport itself, when tenants are unable to meet payroll obligations and the terms of their tenancy agreement with their airport sponsors, it imperils the ability of the airport to operate safely and efficiently.

One option would be for the Departments of Treasury and Transportation to analyze the amount of airport sponsors' revenues that account from the lease obligations of certain tenant businesses, and then to provide a level of relief equal to that amount with the requirement that airport sponsors abate lease obligations over the term of the assistance provided.

Despite delays in delivering funds to successful applicants, the Title IV programs of the CARES Act allow more flexibility to aviation businesses. In the interest of efficiency, Congress may wish to consider reauthorizing and recapitalizing those programs. If Congress chooses to do so the Title IV, subpart B, programs of the CARES Act, we ask that you consider eligibilities for a broader ecosystem of businesses that provide support for the continued viability of **all** air carriers, not just Part 121 passenger air carriers.

The fact that it was necessary for the Department of Treasury to prorate assistance under Title IV, subpart B, of the CARES Act to air carriers, including Part 135 operators because of the large number of applicants, speaks to the level of need and thus an impetus for Congress to consider additional support in subsequent legislation.

NATA looks forward to working with this Committee to find policy solutions that will support general aviation. We believe that support for general aviation is directly linked to the future of passenger air transportation in the United States. We thank the Committee for its attention to these concerns and recommendations.