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STATEMENT OF ED BOLEN

PRESIDENT AND CEO

**NATIONAL BUSINESS AVIATION
ASSOCIATION**

BEFORE THE SUBCOMMITTEE ON AVIATION

**COMMITTEE ON TRANSPORTATION AND
INFRASTRUCTURE**

U.S. HOUSE OF REPRESENTATIVES

MAY 4, 2005

**STATEMENT OF ED BOLEN
PRESIDENT AND CEO
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Mr. Chairman, Congressman Costello and members of the Subcommittee, although I have testified before this Subcommittee on many occasions, this is the first time I have done so in my new capacity as president and CEO of the National Business Aviation Association (NBAA). I am grateful for the opportunity.

NBAA commends the Subcommittee for holding this important hearing to examine the Federal Aviation Administration and Airport and Airway Trust Fund. NBAA members have a vital interest in a strong and healthy aviation system.

NBAA was founded nearly 60 years ago to represent companies that utilize General Aviation as a tool for meeting some of their transportation challenges.

FACTS ABOUT BUSINESS AVIATION

Today, there are over 10,000 companies in the United States that utilize General Aviation aircraft to help them compete in what has become a global marketplace.

Business aviation operators encompass a broad cross-section of interests, including businesses (large, medium and small), governments, schools and universities, churches, farms, foundations, and charitable organizations.

- Approximately 85 percent of these companies are small or midsize companies--most of which own and operate a single airplane.
- Surveys indicate that 86 percent of business aircraft passengers are marketing and sales personnel, technical experts, other company representatives and customers. Only 14 percent of passengers are top company managers.
- Piston-twins and turboprops make up the majority of the business aviation fleet.
- Business aviation tends to fly at altitudes above or below the commercial airline traffic that prefers to operate in the range between 29,000 feet and 39,000 feet.
- We also tend to use different airports. In fact, business aviation represents less than 3.5% of the total operations at the nation's 20 busiest commercial airports. The ability to use these smaller, less-congested facilities is key to the value and flexibility of business aviation aircraft.

HOW GENERAL AVIATION CONTRIBUTES

Because this is a hearing on the Airport and Airway Trust Fund, I would like to spend a couple of moments discussing the various excise taxes through which the General Aviation community contributes to the Trust Fund.

General Aviation operations that are flown under FAR Part 91 are subject to three fuel taxes: 1) a 4.3 cents per gallon tax that began in 1993 as a deficit reduction tax but was later dedicated to the Trust Fund; 2) a .1 cent per gallon tax for Leaking Underground Storage Tanks (LUST); and 3) a 15 cents per gallon tax on AvGas or a 17.5 cents per gallon tax on jet fuel.

General Aviation operations that are flown under FAR Part 91(K), commonly known as fractional operations, are subject to the following taxes: 1) a 4.3 cents per gallon tax that began in 1993 as a deficit reduction tax but was later dedicated to the Airport and Airway Trust Fund; 2) LUST tax; and 3) a 7.5 percent on the airplane's hourly rate; and 4) a \$3.20 segment fee.

General Aviation operations that are flown under FAR Part 135, commonly known as charter operations, are taxed in basically the same manner as fractional operations. General Aviation operations that are flown under Part 135, carrying cargo, are subject to the following taxes: 1) a 4.3 cents per gallon tax that began in 1993 as a deficit reduction tax but was later dedicated to the Airport and Airway Trust Fund; 2) a .1 cent per gallon tax for Leaking Underground Storage Tanks; and 3) a 6.25 percent tax on the cargo shipping charge.

The following chart illustrates the taxes paid by General Aviation into the Airport and Airway Trust Fund:

Part 91 Piston	Part 91 Turbine	Part 91 K Fractional	Part 135 Charter	Part 135 GA Cargo
\$.043-gallon <i>Deficit Reduction Tax</i>	\$.043-gallon <i>Deficit Reduction Tax</i>	\$.043-gallon <i>Deficit Reduction Tax</i>	\$.043-gallon <i>Deficit Reduction Tax</i>	\$.043-gallon <i>Deficit Reduction Tax</i>
\$.001-gallon <i>LUST* Tax</i>	\$.001-gallon <i>LUST* Tax</i>	\$.001-gallon <i>LUST* Tax</i>	\$.001-gallon <i>LUST* Tax</i>	\$.001-gallon <i>LUST* Tax</i>
\$.150-gallon <i>AvGas Tax</i>	\$.175-gallon <i>Jet Fuel Tax</i>	7.5% <i>x hourly rate</i>	7.5% <i>x hourly rate</i>	6.25% <i>x shipping cost</i>
N/A	N/A	\$3.20 passenger per segment (domestic)	\$3.20 passenger per segment (domestic)	N/A
N/A	N/A	\$14.10/passenger per segment (international)	\$14.10/passenger per segment (international)	N/A

*LUST = Leaking Underground Storage Tank

FUEL TAXES

Although no one enjoys paying taxes, the General Aviation community has always been very supportive of the General Aviation fuel taxes.

We believe the General Aviation fuel taxes are good for the government. Compliance is extremely high because you have to pay the tax at the same time you get the fuel. And, administrative costs are extremely low. Since the fuel taxes are paid by the operator at the pump, the government does not need the army of billing agents, collection agents, auditors and dispute resolution staff that it would take to interface with thousands of General Aviation operators. As a result, amounts paid by the users go directly into the Trust Fund without large portions being siphoned off to cover “administrative costs.”

We believe the General Aviation fuel taxes are good for the operators because they are easy to understand and easy to pay. There are no forms to fill out and no checks to mail. There is just a simple transaction at the pump.

We also believe fuel taxes are good public policy. The General Aviation fuel taxes measure system usage—the more a General Aviation plane flies the more fuel it burns and the more taxes it pays. These taxes are progressive in that those with a greater ability to pay tend to fly larger airplanes which burn more fuel. The fuel taxes discourage congestion since airplanes operating in crowded airspace or crowded airports are often subject to fuel-draining holding patterns or long departure lines. The General Aviation fuel taxes also provide an economic incentive for the purchase of ever cleaner, quieter, more fuel-efficient airplanes.

HOW MUCH GENERAL AVIATION PAYS

IRS records of General Aviation fuel receipts and surveys of fractional companies and charter operators show that General Aviation operations are estimated to have contributed in excess of \$600 million into the Airports and Airway Trust Fund in 2004. This \$600 million represents between 6 and 7 percent of the \$9.2 billion collected in 2004.

HOW MUCH SHOULD GENERAL AVIATION PAY?

It has recently been suggested by some that General Aviation is not contributing its fair share into the Airport and Airway Trust Fund. The purported evidence for this allegation is the fact that General Aviation represents over 30 percent of IFR (instrument flight rules) operations but contributes a smaller percentage of revenue to the Trust Fund.

Make no mistake about it, General Aviation operations (including fractional operations and charters) do indeed represent over 30 percent of IFR operations. A breakdown of IFR activity by type of General Aviation aircraft is as follows:

Turboprops	7.2 percent
Pistons	11.2 percent
Business Jets	12.5 percent

However, as economists point out, **OPERATIONAL PERCENTAGES DO NOT EQUATE TO COSTS IMPOSED**. Economists look at cost **DRIVERS** rather than operational numbers when allocating costs.

In aviation, it is widely understood that our domestic air transportation system was designed and built to accommodate commercial airline operations. The large numbers of radars, controllers and ATC facilities in the Chicago area are NOT there as a result of the General Aviation operations in the area. That infrastructure is in Chicago in order to accommodate the peak demands of the commercial airlines at Chicago O'Hare International Airport.

The same thing can be said of any of the airports where commercial airlines operate a hub. It can even be said of those airports like Raleigh/Durham or Nashville where the commercial airlines opened hubs but later closed or reduced them.

Members of this Subcommittee who were around in 1997 will recall that representatives of the point-to-point airlines testified that the peak operations of hub-and-spoke operators drove the cost of the system to a greater extent than point-to-point operations. It was a point confirmed by a GAO report released that same year.

Mr. Chairman, General Aviation does not drive the costs of our air traffic system in proportion to the commercial airlines. **IN FACT, IF GENERAL AVIATION WERE GROUNDED TOMORROW, THE COST OF OUR AIR TRAFFIC SYSTEM WOULD NOT GO DOWN APPRECIABLY**. After all, General Aviation was grounded for a prolonged period after 9-11 and costs did not come down. Ronald Reagan Washington National Airport has been closed to General Aviation for 3 1/2 years, but the FAA's costs associated with that airport have not gone down.

The economic reality that "operational percentages do NOT equate to costs imposed on the system" is evidenced in the air traffic charges levied by foreign air traffic control entities. Much has been made of the fact that many foreign countries charge a fee for air traffic services that is "directly related to the cost of providing that service". However, in none of the countries that have been held up as suggestions for the U.S. to emulate (Canada, England, Germany, New Zealand, and Australia) are the fees based on a formula that takes total ATC costs, divides them by total operations, and applies the sum as a flat fee on all operators.

Because General Aviation operations do not drive system costs, most economists consider General Aviation to be marginal users of the system.

STATUS OF THE TRUST FUND

But Mr. Chairman and members of the Subcommittee, what is even more important than who pays what into the Airport and Airway Trust Fund is the bigger question of whether or not our nation's air transportation system will have sufficient funding to meet future demand and remain the largest, most diverse, and safest air transportation system in the world. Both as Chairman of the FAA's Management Advisory Council and Member of the Commission on the Future of the United States Aerospace Industry, I have testified before this Subcommittee on the need for an adequately funded air transportation system.

Last week, at a forum hosted by the FAA, Gerald Dillingham from the Government Accountability Office said that system funding appeared adequate through 2007 when compared to the projections Congress set forth in its Vision 100 legislation and the projections the Administration set forth in its most recent budget proposal. However, Dillingham warned that if those projections were off 10 percent, the outlook would change. At the same forum, DOT Inspector General Ken Mead questioned whether the FAA's cash flows would be sustainable over the long term.

THE NECESSARY STEPS

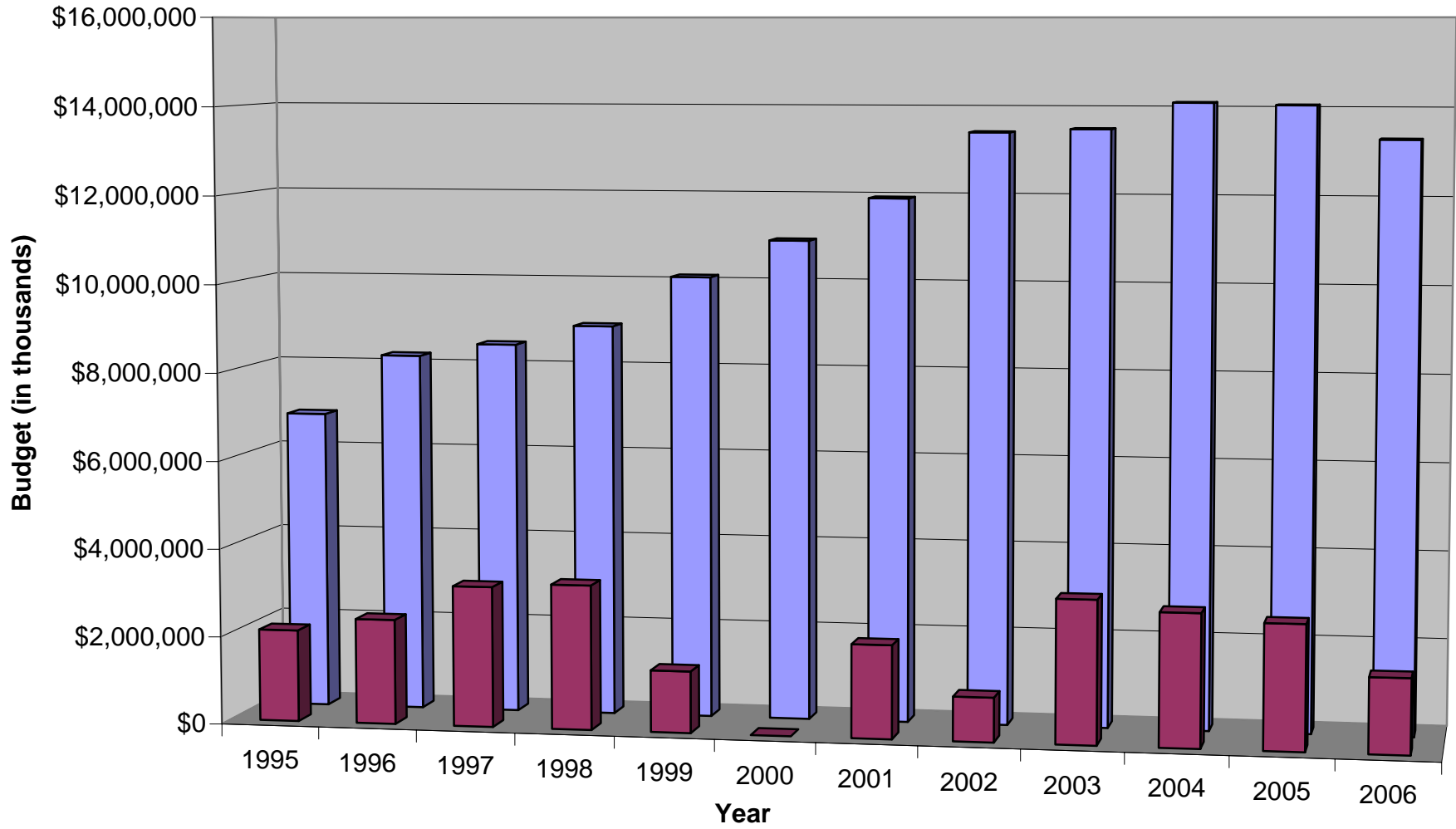
With FAA reauthorization coming up in two-and-a-half years, it is really not too early for Congress to begin thinking about how we should fund our future air transportation system. As you undertake this evaluation, the National Business Aviation Association urges that we keep the following principals in mind:

- **Do No Harm.** This principal was actually suggested by the keynote speaker at last week's Funding Forum. Today, the United States enjoys nearly 50 percent of all of the commercial aviation activity and 75 percent of all of the General Aviation activity in the world. Our air transportation system is 73% more productive and more efficient than the rest of the world's, and we have the best safety record. We need to be sure we know what we are doing before we throw away a system that has achieved such results.
- **Ensure A Strong General Fund Contribution.** There is no doubt that every U.S. citizen benefits from a strong, safe and secure air transportation system regardless of whether or not they ever set foot on an airplane. As beneficiaries, the general public should continue to pay for a significant portion of our air transportation system through their general taxpayer revenues. The General Fund contribution is also necessary to cover costs imposed on the system by our military and other government users of the system.
- **Control FAA Costs.** Over the past several years, the FAA has made tremendous progress with its costs. FAA Administrator Marion Blakey and her staff deserve a great deal of credit for their actions in this regard. However, continued progress is necessary to ensure that any additional funding, whether it comes from industry or the General Fund, is not wasted.

- Clearly Identify the Technologies Needed for Modernization. It is clear that our future air transportation system will be more satellite based than today's ground based navigation system. However, in order to get from here to there, decisions need to be made about what technologies will be used and what procedures will be adopted. These decisions and the costs related to them need to be understood and supported before we are asked to invest in them.
- Keep the General Aviation Fuel Taxes. The Report of the National Civil Aviation Review Commission which was chaired by the current Transportation Secretary, Norm Mineta, endorsed the General Aviation fuel taxes as the most appropriate way for this important segment of civil aviation to pay its share of system costs. For the reasons set forth earlier in my testimony, NBAA agrees with the Secretary's Commission.

Mr. Chairman, the future of General Aviation in the United States is directly related to the strength of our national air transportation system. We look forward to working with you and this Subcommittee to ensure that that system remains the best in the world.

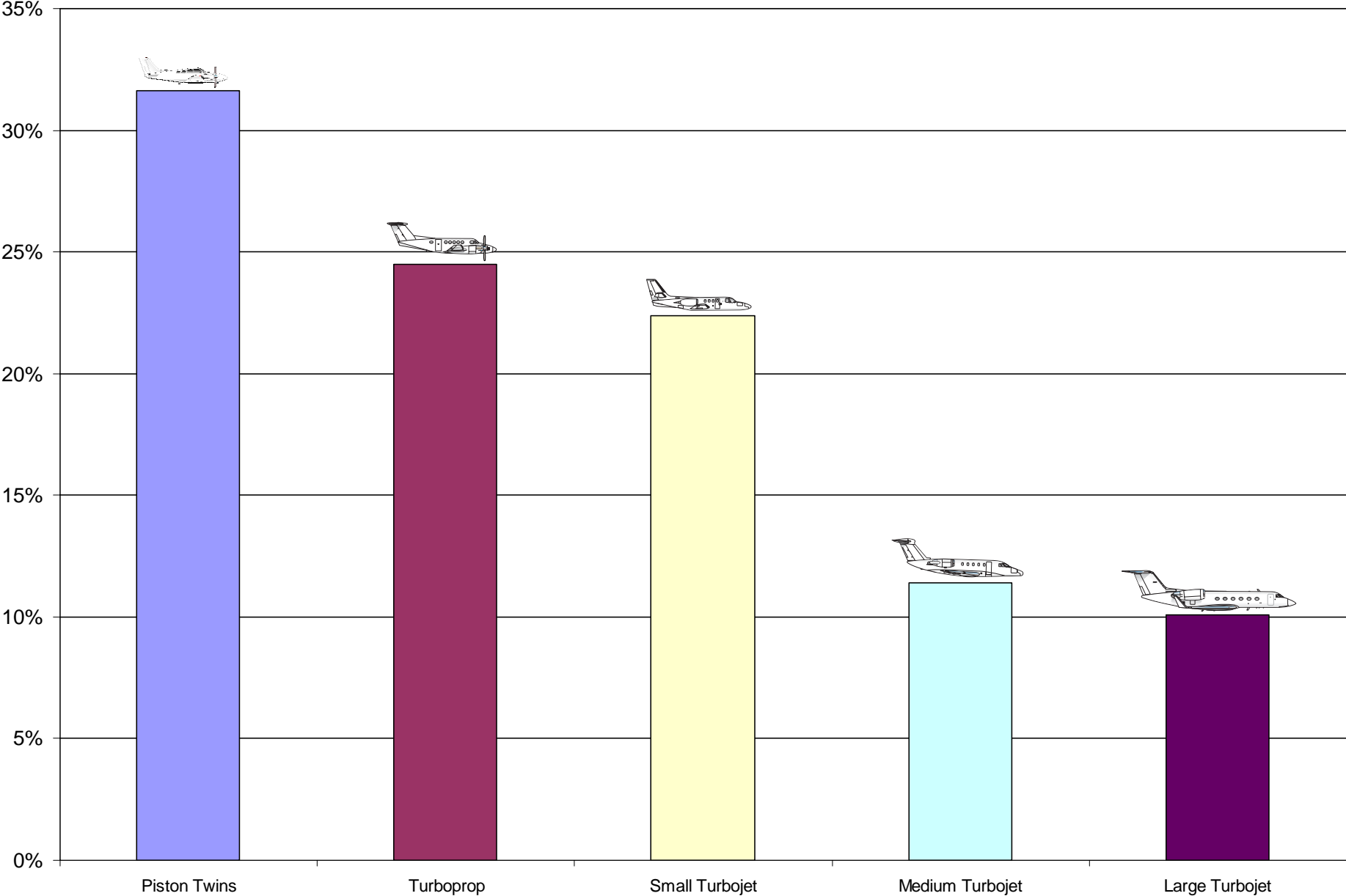
FAA Budget 1995-2006



■ General Fund ■ Total FAA Budget

U.S.-Registered Business & Corporate Aircraft

Source: Federal Aviation Administration 2002



Top 20 Air Carrier and General Aviation Airports

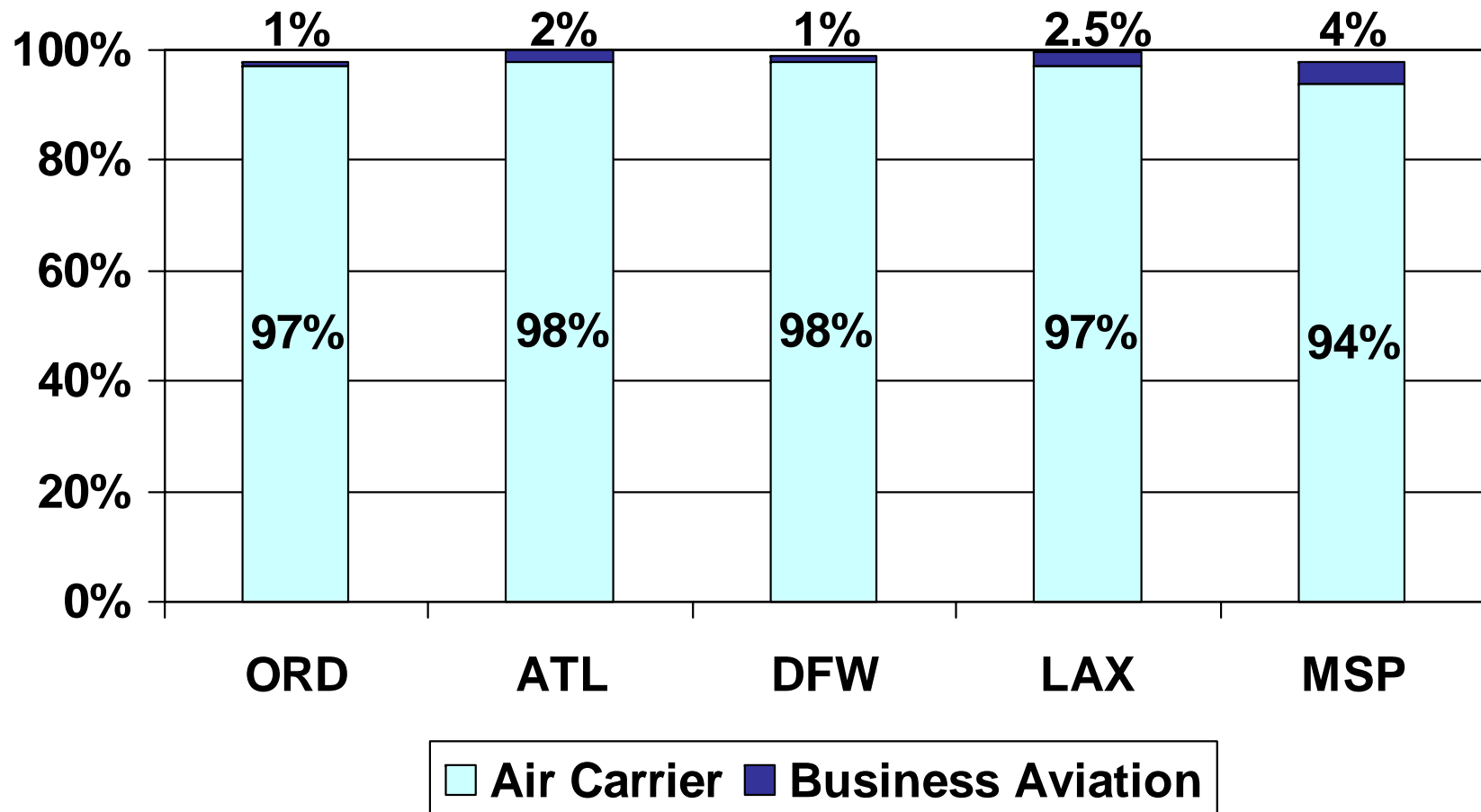
TOP 20 U.S. AIR CARRIER AIRPORTS IN 2003				TOP 20 U.S. G.A. AIRPORTS IN 2003			
Rank	Airport	State	% B.A. Ops. †	Rank	Airport	State	% A.C. Ops. ††
1	Atlanta Hartsfield Int'l	GA	1.95%	1	Van Nuys	CA	0.00%
2	Chicago O'Hare Int'l	IL	1.44%	2	Daytona Beach Int'l	FL	1.22%
3	Dallas-Fort Worth	TX	0.83%	3	Orlando Sanford	FL	1.92%
4	Los Angeles Int'l	CA	2.52%	4	Fort Lauderdale Executive	FL	0.00%
5	Minneapolis-St. Paul Int'l	MN	4.13%	5	Phoenix Deer Valley	AZ	0.00%
6	Phoenix Sky Harbor Int'l	AZ	3.33%	6	Seattle Boeing Field	WA	2.92%
7	Detroit Metro Wayne County	MI	2.52%	7	Atlanta DeKalb Peachtree	GA	0.01%
8	Denver Int'l	CO	2.37%	8	Long Beach Daugherty Field	CA	8.39%
9	Las Vegas McCarran Int'l	NV	9.92%	9	Teterboro	NJ	0.06%
10	Miami Int'l	FL	5.87%	10	Denver Centennial	CO	0.00%
11	George Bush Houston Intercontinental	TX	2.66%	11	Santa Ana John Wayne	CA	23.76%
12	Newark Liberty Int'l	NJ	1.96%	12	Tulsa Riverside	OK	0.00%
13	John F. Kennedy Int'l	NY	1.62%	13	Mesa Falcon Field	AZ	0.11%
14	Philadelphia Int'l	PA	7.72%	14	Morristown	NJ	0.00%
15	San Francisco Int'l	CA	7.35%	15	San Diego Montgomery Field	CA	0.00%
16	Memphis Int'l	TN	6.46%	16	La Verne Brackett Field	CA	0.00%
17	Orlando Int'l	FL	4.44%	17	Carlsbad McClellan Palomar	CA	0.00%
18	Baltimore-Washington Int'l	MD	7.17%	18	Chicago Palwaukee	IL	0.00%
19	Seattle-Tacoma Int'l	WA	1.77%	19	San Antonio Int'l	TX	24.35%
20	St. Louis Int'l	MO	2.53%	20	Dallas Love Field	TX	34.31%

† % Business Aviation Operations

†† % Air Carrier Operations

Source: FAA

Business Aviation Activity at the Nation's 5 Busiest Airports



Source: FAA, 2003 Activity