



AIRCRAFT OWNERS AND PILOTS ASSOCIATION

421 Aviation Way • Frederick, MD 21701-4798
Telephone (301) 695-2000 • FAX (301) 695-2375
www.aopa.org

Statement of Phil Boyer

President

Aircraft Owners and Pilots Association

before the

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
AVIATION SUBCOMMITTEE
U.S. HOUSE OF REPRESENTATIVES

The Honorable John L. Mica, Chairman
The Honorable Jerry F. Costello, Ranking Member

concerning

**Financial Condition of the
Aviation Trust Fund**

May 4, 2005

Good morning, my name is Phil Boyer, President of the Aircraft Owners and Pilots Association (AOPA) representing over 400,000 pilots and aircraft owners -- more than half of all the pilots in the United States. Because AOPA has members in every Congressional district in the country, I appear before you today expressing the views of your constituents who belong to AOPA. AOPA members recognize the important role of the Federal government in aviation policy and are extremely involved in the democratic process with 94% voting in the 2004 election, compared with the national average of 55%.

AOPA members are involved in personal and business aviation, the majority using their aircraft in the way you use your personal automobile. These individual pilots are the only segment of aviation to pay for the aviation excise taxes out of their own pockets and are very interested in the discussion currently underway on the future of funding the Federal Aviation Administration (FAA).

I would first like to thank the Chairman for holding this hearing today. The Airport and Airway Trust Fund, known as the Aviation Trust Fund, plays a critical role in ensuring a safe and efficient aviation system for all users of the National Airspace System (NAS).

The Current System has Weathered Difficult Times, but Works Well

The United States moves more general aviation pilots, commercial aircraft and goods through our air traffic control system than any other country in the world, and we do it well. As this committee has heard, the U.S. Air Traffic Control system handled over 159 million operations in 2000. The next five largest systems combined only handled 12 million operations in that same year.

Since this hearing is titled "Financial Condition of the Trust Fund," I'll start by reporting on the status of the fund. According to the President's FY2006 Budget, the Office of Management and Budget (OMB) projects the government receipts into the Aviation Trust Fund to grow from the \$9.2 billion of today, to \$14.1 billion by 2010. This represents an increase of 53%.

Despite what some have argued, this leads us to conclude that the Trust Fund has come through some difficult challenges in the past few years, with September 11 at the top of that list, but its revenue numbers are strong and look to continue growing in the future. However, as we all know, the balance of the Aviation Trust Fund is determined not only by the revenue, but also by the expenses.

AOPA is concerned that the Administration has proposed increasing the expenses drawn from the Aviation Trust Fund, and decreasing the amounts drawn from the General Fund to pay for the FAA's budget. AOPA strongly objects to this artificial funding crisis by drawing down the Aviation Trust Fund in this manner.

The FAA can and must live within the revenue paid by taxpayers. With OMB's 50% increase in revenue predicted for the Trust Fund and a strong commitment of resources from the General Fund, the Aviation Trust Fund should remain a strong and stable source of funding for FAA infrastructure.

Excise taxes on aviation fuel are the appropriate way for general aviation to help pay for the aviation system, not user fees.

AOPA members, your constituents, are strongly opposed to a user fee funded aviation system. The current excise tax on aviation fuel is an equitable measure of general aviation's use of the National Airspace system because fuel consumption directly relates to operating the aircraft. Here is a sampling of what AOPA members have to say on the subject:

“I believe that this excise tax is a win-win situation – it is efficient for the federal government to administer, it helps pay for the NAS even on those flights when I don't use any of its services. I am very concerned about the negative effect that a user fee based system would have on aviation safety. If such a system were implemented, many private pilots would be tempted to cut their expenses by ‘opting out’ of the NAS, i.e., avoiding discretionary use of FAA-controlled airspace and avoiding the FAA flight service system.”

Paul R. Larson, Anchorage, AK

“I am forced on occasion to make payments on the privatized system in Canada. I'm not impressed at all. Our people and our system are really hard to beat. I hope we don't destroy something as good as this in the name of privatization.”

Gerry Robbins, Pine City, MN

“I actively use the US airspace system flying my aircraft extensively in the conduct of my medical practice and national eye research protocols, in addition to managing numerous property investments across the country. I ask you to please exert all efforts to oppose user fees and instead support excise taxes as the way to fund our aviation system.”

William J. Dunn, MD, FACS, CHE, Florida Retina Institute, Daytona Beach, FL

“I am encouraging you as a member of the House Sub-Committee on Aviation to oppose any efforts to establish a user fee based system to fund the FAA Air Traffic Control system.”

Bernard A. Paul, Attorney at Law, Marion, IL

“I am generally of the strong opinion that too much government is not a good thing, but there are some things, in my opinion, that the federal government should control. The air traffic control system is one of those things.”

Richard P. Baxter, President CRS, Monroe, NC

“Without the benefits of the FAA system as presently configured, I would not be able to conduct and grow my business. In fact, if additional costs were imposed on the use of my airplane through a user fee-based system, it would limit severely our ability to grow and ultimately our ability to survive.”

Emmanuel Daskalakis, Aralia Olive Oils, Cambridge, MA

Aviation is not alone in its use of excise taxes as an important method of raising revenue for infrastructure projects. The highway tax is virtually identical in its structure and effectiveness. For the millions of automobile drivers on the nation's highways, to the hundreds of thousands of pilots flying general aviation aircraft, excise taxes simply make sense as a safe, efficient and fair method of tax collection system.

There are also concerns that assessing user fees for air traffic services denigrates safety by discouraging aircraft operators from using the services. For years, AOPA has worked with the FAA, through our Air Safety Foundation to continually lower the accident rate for general aviation. A piecemeal system of fees and charges gives pilots a direct financial incentive to avoid using the safety features and programs provided within the National Airspace System. It would be counter intuitive to allow the FAA to shift to a user fee funded system after general aviation has had the lowest number of accidents and the lowest accident rate since 1938.

Finally, collecting the current aviation excise taxes is extremely efficient with a low cost of collection and has been in place for over three decades. During the last debate on aviation taxes and fees in the late 1990's, the Internal Revenue Service reported that it only cost \$1.7 million to collect over \$5.5 billion in excise tax revenue. A mere .001% cost by the government to collect! Collecting user fees would require a huge new accounting bureaucracy with a much higher cost to collect the fees because of the complexity of such a system. The reality of such a system is more money would need to be collected simply to break even.

However, it is not just about how much the aviation industry pays to support the FAA.

The air transportation system is vital to the United States economy and at least 25% of the costs to fund the FAA should be supported by general tax revenues. All citizens benefit from a safe and efficient system of air travel.

When Congress created the Airport and Airway Trust Fund in 1970, it did not expect the trust fund to finance FAA's entire budget. A contribution from the general fund was assumed. However, the amount of general fund contribution has decreased dramatically over time.

As the following chart illustrates, in the 1980's - the general fund contributed to about 45% of the FAA's budget. By the end of the 1990's, this had decreased to 29%. For the last five years, the general fund support has ranged from 0% to 24%. Considering the importance of a healthy aviation system to the nation and the role FAA plays in national security, this wide variation in support should not be allowed to continue and a 25% general fund contribution to the FAA's spending should be established.

According to the FAA, general fund contributions in the last 10 years –

<u>Year</u>	<u>\$ General Fund</u>	<u>% of FAA's Budget</u>
1995	\$2,122,000,000	26%
1996	\$2,420,000,000	30%
1997	\$3,255,000,000	38%
1998	\$3,351,000,000	37%
1999	\$1,474,000,000	15%
2000	0	0% ¹
2001	\$2,129,366,000	17%
2002	\$1,104,229,000	8%
2003	\$3,244,588,000	24%
2004	\$3,010,206,000	22%
2005	\$2,827,809,000	20%

The general fund contribution is a critical component in allowing the FAA to successfully plan for long-term capital improvements. The general fund ensures that the top-line budget of the FAA can remain strong through unforeseen difficulties for commercial or general aviation.

The FAA and the aviation community should identify areas for cost savings by eliminating FAA services no longer needed and developing alternatives that save money and improve the quality of other services where possible.

AOPA has shown a commitment to reducing the costs of services utilized by the general aviation community and at the same time look for ways to improve safety by enhancing the quality of FAA services.

Flight Service Station Modernization -

For years AOPA has worked with members of this Subcommittee to modernize and improve the important services provided by the dedicated FAA employees of the nation's Flight Service Station (FSS) system. These 61 FSS facilities provide important weather and safety of flight information to general aviation pilots. As early as 1999, it became apparent to us that changes were needed to modernize the system and reduce the cost of providing the service. In

¹ The authorization had expired so there was no formula in law requiring a general fund contribution.

surveys and discussions with AOPA members, the overriding concern was their belief that the federal government has a responsibility to provide this service without a user fee.

With this as the background, AOPA worked as a party of interest throughout the development of the A-76 outsourcing study initiated by the FAA in 2002. The AOPA staff focused on ensuring that the bid criteria had appropriate requirements for the vital safety and service functions performed by the FSS. Congress supported this in direction offered by the House Transportation Appropriations Committee in its report on FY05 funding (House Report 108-671).

Competitive sourcing for flight service stations. —*In order to maintain a high level of safety and efficiency in the provision of flight service activities, the Committee urges FAA to ensure that the flight service station competitive sourcing effort require bidders to provide comprehensive and specific customer service standards for providing flight briefings to pilots as well as a process for ongoing customer service monitoring and evaluation.*

In February 2005, the FAA announced that Lockheed Martin with its FS21 proposal won the \$1.9 billion ten-year contract. This proposal is designed to save taxpayers \$2.2 billion over this ten-year period. But it is not just about saving money, the FAA and Lockheed Martin promise dramatic changes for pilots through call center standards and other performance based criteria.

Thus far, AOPA members have responded with enthusiasm for the new system because telephone briefings and all of the in-flight radio frequencies will continue being available. But in the future, pilots will also be able to get an interactive briefing and see the same charts and weather maps on the computer as the briefer. Lockheed's plan is to eventually consolidate the current 58 automated FSS facilities in the lower 48 states, Hawaii, and Puerto Rico into 20 facilities. All the FS21 facilities will be tied together in a network, sharing a common database and briefers will be trained to specific geographic areas, ensuring pilots will still have access to specialized knowledge of local conditions.

While AOPA does not support outsourcing of core air traffic services, the FAA chose this approach to address FSS and AOPA worked closely to ensure services would improve for pilots. AOPA staff continues being involved to hold the FAA and Lockheed Martin to their commitments for modernization and improvements in services.

Eliminating Redundant Ground Navigation Aids -

The FAA recently announced in a Federal Register notice and sent letters to 430 airport managers regarding the elimination of underutilized Non Directional Beacon (NDB) approaches. This technology is based on AM radios and has been in use since the 1930's. AOPA helped educate pilots about the possible cancellations and is working with the FAA in gathering feed back from pilots to ensure that cost savings can be achieved by eliminating redundancies, while protecting ground-based nav aids in critical locations.

Cost savings for each NDB approach is \$17,000 to \$19,000 per year. In this initial phase, the savings are achieved through eliminating the approaches, while additional savings in equipment will likely take place in future years.

Nighttime Closure of Low Volume Towers –

As many of the members of the Subcommittee are aware, the FAA is reviewing a list of 48 towers for a potential reduction of services. The FAA estimates savings from this measure will be around \$100,000 per year for a total reduction of nearly \$5 million per year.

This issue highlights one of the underlying realities of the National Airspace System and its costs. Most of the features of the current system have been designed for commercial aviation. In particular, many of the major infrastructure components that have been pointed out throughout this debate as crumbling and in need of major, expensive repair were designed primarily with commercial passenger service airlines in mind. A National Airspace System designed solely for general aviation would look vastly different and cost much less than the current system.

AOPA members successfully and safely fly every day at airports without a tower. While we appreciate the additional safety provided by an air traffic control tower, the vast majority of the 19,000 airports and landing facilities in this country do not have towers.

In situations where there is a low volume of air traffic, a reduction in hours may offer savings in the FAA's budget. The Association will make members aware of potential tower closings and will provide any comments from members to the FAA for evaluation of local facilities.

Wide Area Augmentation System (WAAS) landing systems –

AOPA has not limited its cost cutting recommendations to current systems, but also to advocating for more cost-efficient systems for the future. The use of the Global Positioning System as a primary navigational aid will lower the ongoing operational costs for the FAA.

GPS has benefited many sectors of the U.S. economy. The Wide Area Augmentation System (WAAS) augments the GPS signal to provide very accurate positioning information. This new WAAS system has conveyed many benefits for agriculture, maritime industries, railroads, homeland security, enhanced 911 calling systems, earthquake and volcano warning systems, and, of course, aviation.

Through the use of the WAAS system, the long-term cost of providing instrument approaches to all 5,400 public use airports in the country drops significantly.

The cost to provide the WAAS signal is just under \$50 million per year. This signal can serve all 5,400 public use airports. Current ground based systems like the traditional Instrument Landing System (ILS), cost over \$82 million in annual maintenance at the 600 ILS airports.

Since there are no ground navigation systems to purchase or maintain, the cost of installing a WAAS approach is less than 10% of an ILS. In addition, the annual maintenance costs can be as high as \$85,000 for a typical ground based system; the cost to maintain a WAAS approach is less than \$3,000 every two years.

AOPA supports moving towards more satellite based navigational systems in order to lower the operational costs of providing navigational assistance. AOPA supports the WAAS program and encourages its future deployment.

The FAA and the aviation community should help develop the design and determine the cost for modernizing the air traffic control system

As the Subcommittee heard in its recent hearing on the Joint Planning and Development Organization (JPDO), the FAA in conjunction with other government agencies and the aviation industry is developing the year 2025 ATC system. This long-term effort is augmented by the ten-year outlook known as the Operational Evolution Plan (OEP).

While the FAA has conducted a forum on the Agency's funding, it is apparent that the FAA's modernization plan must be developed so that Congress, the executive branch, and the aviation industry have an understanding of what is anticipated for the future. Absent that, the FAA can only offer warnings about the need for capital investments without any specifics on the system and funding required. The lack of design details and costs of the future system create serious challenges for everyone involved in aviation. It places AOPA in a position of being unable to even conduct rudimentary analysis to determine what it means to our members.

The FAA and the aviation community should explore innovative approaches to financing capital improvements.

As the aviation community and government evaluate the FAA funding and modernization issues, one area that should be considered is ideas for obtaining the investments in capital improvements. The federal budgetary requirements under the "pay as you go" approach limits significant capital investments in a one-year period. This is especially true during times of budget deficits. While it is unclear how this will impact timing of future FAA purchases, there are ideas that should be explored including leasing, vendor financing and other options to provide the needed capital purchases. While the Association supports analyzing these options, AOPA members would not support a financing approach that requires user fees.

Conclusion

Thank you for the opportunity to provide AOPA's perspective on issues associated with FAA's funding. To reiterate, AOPA's position on the FAA Funding Issue:

- Excise taxes on aviation fuel are the appropriate way for general aviation to help pay for the aviation system, not user fees.
- The air transportation system is vital to the United States economy and at least 25% of the costs to fund the FAA should be supported by general tax revenues.
- The FAA and the aviation community should identify areas for cost savings by eliminating FAA services no longer needed and developing alternatives that save money and improve the quality of other services where possible.
- The FAA and the aviation community should develop the design and determine the cost for modernizing the air traffic control system. The FAA and the aviation community should explore innovative approaches to financing capital improvements.

AOPA appreciates the opportunity to testify and looks forward to working with the members of the committee as future policies for the FAA are developed.