



1200 EIGHTEENTH STREET NW, SUITE 400  
WASHINGTON, DC 20036-2527  
Tel: (202) 783-9000 • Fax: (202) 331-8364  
E-mail: info@nbaa.org • Web: www.nbaa.org

March 10, 2008

The Honorable Calvin Scoville  
Inspector General  
Department of Transportation  
400 7<sup>th</sup> Street, SW  
Washington, DC 20590

Dear General Scoville:

On behalf of the 8,000 members of the National Business Aviation Association, I am writing in response to the recently released report, "Use of the National Airspace System" (CR-2008-028), and to request an opportunity to discuss the report with you.

The general aviation (GA) community is committed to modernizing air traffic control (ATC) and expanding the capacity of the aviation system. A primary reason for our commitment is that when the system gets congested, GA has historically been the first segment to largely be squeezed out of airports and airspace. As a result, GA is partnering with the government to move modernization forward as quickly as possible. We look forward to working with you in the months ahead to expedite the system's transformation.

First, I would like to note that the report makes several important points, including the following:

- General aviation aircraft used for business purposes represent a diverse group, only 3% of which are large corporations.
- General aviation avoids large primary metropolitan airports.
- General aviation accounts for less than 4% of operations at 11 of the top U.S. airports.
- Fuel taxes are an effective proxy for use of the National Airspace System (NAS).

However, NBAA respectfully requests that you review the following points:

### **FAA Cost Allocation Study**

The report references FAA's 2007 Cost Allocation study. We urge you to examine the FAA's study in light of serious questions that have been raised about the validity of the FAA's underlying assumptions, the methodology that was employed, and the fact that the FAA refuses to make the data public.

At this point, I would like to mention that the GA community has never disputed that we are users of the NAS. GA traffic levels are tracked by the FAA and are readily available.

Our concerns are related to the policy decision made by the FAA to discard mainstream cost allocation methodologies in favor of one based on underlying

assumptions that run contrary to international and domestic aviation practices and experiences.

By the FAA's own admission, the Agency's most recent cost allocation study abandons all economic principles for how to allocate costs to different users. It is significant and troubling that no other nation uses such an approach for allocating air traffic control costs and not one other transportation segment uses such an approach to allocate costs.

This is a very serious issue. As you know, the FAA has proposed in the Agency's reauthorization legislation that all future fees and charges must be based on its most recent cost allocation study. Any errors in the study or its methodology will put at risk many segments of our nation's air transport industry and those communities around the country that are dependent on them.

For your consideration, attached is an analysis from international transport economist Dr. Michael Tretheway that examines a number of significant problems with the FAA study and methodology:

- FAA abandons all economic principles as a basis for cost allocation and employed a methodology that is at odds with international cost allocation standards.
- FAA refuses to allow independent verification or analysis.
  - For over two years, NBAA has formally and informally requested opportunities to be part of the cost allocation process and have access to the underlying data. Also attached for your information are two letters sent to FAA in January, 2006.
- A "blip" is not a blip. Dr. Tretheway makes the point that FAA's own analysis rejects the premise that all blips are the same and international evidence also rejects this assumption.

*"... It is particularly important to recognize that the major part of the air navigation facilities and services infrastructure has been established to serve the requirements of commercial air traffic, and that some users receiving extensive service could not, by reason of the nature of their activity, have called for the provision of service on such a scale on an economic basis. ... The primary beneficiaries among the users should therefore be carefully identified to ensure that realistic allocations of costs to the various user categories are made."*

*The International Civil Aviation Organization*

*"It should be noted that, **from a cost of service perspective**, the majority of the infrastructure and operating costs of the ANS system are driven by commercial air carriers operating large transport aircraft."*

*NavCanada's 2005 Service Charges Discussion Paper*

*"Some customers have suggested that **costs should be allocated** to user groups based on the number of flights with respect to terminal air navigation services...An allocation method based on the number of flights would appear to be unjustified ..."*

*NavCanada's 2005 Service Charges Discussion Paper*

In addition to Dr. Tretheway's analysis, the Government Accountability Office has made the following points about cost allocation generally (the hub and spoke model drives a disproportionate share of FAA's costs) and raised questions about the 2007 FAA study specifically:

*"... Hubbing operations at the nation's largest airports increase the peak service demands on the airway system and increase FAA's operating and staffing costs..."*

*1996 General Accounting Office report "Issues Raised by Proposal to Replace the Airline Ticket Tax. (GAO-RCED-97-23)" Page 8*

*"FAA's methodology for allocating air traffic costs and the method contained in the administration's reauthorization proposal to recover these costs from users differ somewhat from practices currently employed by ANSPs in other countries... The ANSPs we reviewed ... do not further allocate costs by aircraft type..."*

*June 8, 2007 GAO letter to Reps. Oberstar and Costello from Gerald Dillingham Section title: "FAA Practices for Allocating Costs Differ from Those of Selected Providers"*

*"...FAA did not adequately document the basis on which it assigned costs to the aircraft groups or support its assumption that all types of aircraft with the same engine type affect costs in the same manner..."*

*October, 2007 GAO Report to Congress, Assigning Air Traffic Control Costs to Users (GAO-08-76)*

*"...It did not (1) adequately document the basis on which it assigned costs to these user groups or (2) support its assumption that all types of aircraft with the same engine type affect costs on the same manner. Documentation of key input from internal subject matter experts and the rationale linking this information and related analyses with the final cost assignments was not well established. Also, FAA did not conduct sufficient analysis (e.g., econometric analysis to quantify the extend to which different users of one engine type (e.g., smaller jet aircraft versus commercial jets) impose costs differently on the air traffic control system."*

*October, 2007 GAO Report to Congress, Assigning Air Traffic Control Costs to Users (GAO-08-76)*

On February 26, 2008, in a letter to the Office of Management and Budget, the Department of Transportation responded to the GAO issues and acknowledged problems in their process.

We also note that the recently released report did not distinguish between different types of the "most active towers". This is of critical importance as there are major differences in the costs to FAA of operations at different types of high activity towers.

### **Cost Recovery**

In addition to cost allocation, the FAA also deviates from world standards on cost recovery with the flawed assumption that all aircraft should be treated equally. This conclusion is completely at odds with international best practices. As Dr. Tretheway notes in the attached paper, "I am aware of no country that does not use weight as a factor in setting charges."

With respect to the fuel tax, we agree with your statement that the fuel tax is an effective proxy for NAS use. We would urge you take that conclusion one step further to note that ATC fees and charges everywhere in the world are based on weight and distance. Taxing fuel is the most efficient proxy for measuring weight and distance. Dr. Tretheway clearly states that "the advantage of a fuel tax is that is much less costly to collect than user charges."

### **Air Traffic Control**

#### *New York*

In discussing GA in the New York area, we believe that it is critical to note several important FAA statistics which indicate that GA is not driving the increasing airline congestion and delay problems in the region:

- General aviation operations average 2.9% at New York metro area commercial airports.
- Over the past five years, general aviation operations have been declining in the New York area. Commercial operations have been increasing.
  - NYC TRACON (terminal radar approach control)
    - Air Carrier ops +14%
    - GA ops - 9%
- Operations at general aviation reliever airports do *not* cause congestion and delay at commercial service airports.
  - GA operations at Teterboro and White Plains have declined over the past five years.
    - Teterboro operations -14%
    - White Plains general aviation operations - 2%

- GA airport operations do not mix with commercial airport flows.
- GA airport operations use different approach patterns than commercial airports.
- Every runway has different arrival and departure routes.
- Typically, GA operations fly below commercial operations in the New York airspace. GA operations use different approach altitudes for different airports.

### *Cleveland*

With regard to enroute traffic, it is important to remember that the capacity of enroute (or center controlled) airspace above 24,000 feet was recently doubled by the implementation of Reduced Vertical Separation Minimum rules creating 1,000-foot vertical separation versus the previous 2,000. This effectively creates 20 new routes/levels to serve all aviation operators in the mid- to upper altitudes. This increased capacity has allowed air traffic controllers to increasingly segregate traffic into levels with common characteristics to reduce complexity and simplify flow.

For example, many long range business aircraft are certified to operate at higher altitudes and speeds than commercial airline aircraft. Similarly, many turboprop and new very light jets can now operate in these new lower altitudes separated by their lower speeds and altitude capability from airliners which tend to utilize flight levels between 31 to 38 thousand feet. All these improvements had led to less mixing of different aircraft types and a significant reduction in delay.

NBAA looks forward to meeting with you to discuss these points in more detail. In the meantime, please do not hesitate to contact me if you have any questions.

Thank you for your consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ed Bolen', with a horizontal line extending to the right.

Ed Bolen  
President and CEO  
National Business Aviation Association