

November 16, 2010

The Honorable Susan Kurland
U.S. Department of Transportation
1200 New Jersey Avenue, SE
Washington, D.C. 20590

Dear Assistant Secretary Kurland:

Thank you for the opportunity to submit comments for consideration by the Future of Aviation Advisory Committee (FAAC). On behalf of the National Business Aviation Association's (NBAA) members across the country, we commend you for taking this comprehensive approach our transportation challenges. We strongly support your work to improve our nation's aviation system, which will also significantly contribute to economic growth and job creation. In these challenging economic times, the importance of a robust aviation system cannot be overemphasized.

NBAA was founded 62 years ago to represent companies that utilize general aviation aircraft as a tool for meeting some of their transportation challenges. NBAA and our members are committed to working with the government to transform and modernize the nation's aviation system. Likewise, we are committed to policies that support the continued growth of each aviation segment, including general aviation, which plays a critical role in driving economic growth, jobs and investment across the U.S. We strongly support the shared goal of keeping our national aviation system the largest, safest and most efficient in the world.

General aviation is an essential economic generator, contributing more than \$150 billion to annual U.S. economic output, and directly or indirectly employing more than one million people. Most general aviation aircraft operating around the world are manufactured and/or completed in the U.S., and our industry is continuing to build a strong American manufacturing and employment base that contributes positively to our national balance of trade.

FACTS ABOUT BUSINESS AVIATION

Business aviation is an FAA-defined term. According to the FAA, business aviation is the use of any general aviation aircraft – piston or turbine – for a business purpose.

From creating growth opportunities and global connectivity for America's small towns and rural areas to supporting the nation's productivity, business aviation is an important economic engine, creating jobs and

investment, while contributing to the world's leading aviation system. Simply put, business aviation is a vital part of the nation's economy and transportation system.

The U.S. aviation system is fully integrated. Each player is critical to the success, strength and growth of our economy. As you know, the system is made up of three segments:

- Scheduled operations, including passenger airlines;
- Military, and;
- General aviation.

General aviation includes diverse operations, with business uses that range from agriculture, to law enforcement, to fire and rescue services, to varied government, educational, nonprofit and business organizations. Servicing and supporting these organizations are FBO's, maintenance technicians, suppliers and service providers.

The business aviation fleet is dominated by pistons and turboprops, with over 80 percent of the 15,000 registered business aircraft in the U.S. having cabins about the size of an SUV, and flying on average less than 1,000 miles. The vast majority of these GA operators use small aircraft that seat no more than eight people.

A Vital Lifeline for Main Street

In small towns and rural areas across America, business aviation is an essential tool that enables businesses to thrive, grow and create jobs in their hometowns. That's because in many instances, there are no other transportation options that meet their needs.

Many small and mid-size businesses are located in areas without scheduled airline service. Businesses of all sizes require in-person travel for such operations as sales, technical support and other types of customer service. Such trips may call for multiple stops in a short period of time or travel to remote locations. Often, the distances are too long to drive or airline service is not available.

A 2009 survey of business aviation pilots and passengers, conducted for NBAA and GAMA by Harris Interactive, concludes that managers and other mid-level employees are the typical passengers on business aircraft – not senior executives.

A Lifeline in Disaster and Emergency

The business aviation community is not only an economic lifeline for thousands of our nation's communities; it also supports people and communities in times of crisis.

For example, in the days and weeks following Hurricane Katrina, hundreds of thousands of pounds of supplies were transported into small airports throughout the Gulf Coast region aboard business aircraft. These aircraft also were used to transport victims out of harm's way.

General aviation has snapped into action when there's a need to confront floods in the Midwest, fires in the West, or a whole host of other natural disasters. The business aviation community – working mostly on a volunteer basis – has always been quick to help assess damage, rescue those affected by these disasters, and carry in lifesaving support and supplies to the affected regions.

In addition, hundreds of GA operators carried thousands of passengers and over a million pounds of supplies to and from Haiti after the devastating earthquake there. In fact, Congress passed a resolution commending business aviation for its response to the crisis.

The people who rely on a general aviation aircraft for business are also dedicated to helping provide lifesaving flights to the communities in which they live and work. Operations like the Corporate Angel Network arrange free air transportation for cancer patients traveling to treatment using the empty seats aboard business airplanes. Angel Flight America's seven member organizations and 7,200 volunteer pilots arrange flights to carry patients to medical facilities.

Veterans Airlift Command uses business airplanes and unused hours of fractional aircraft ownership programs to provide free flights for medical and other purposes for wounded service members, veterans and their families.

Veterans Airlift finds volunteers in the business aviation community to fly missions on request and contribute the full cost of their aircraft and fuel for the missions flown.

ECONOMIC CHALLENGES FACING GENERAL AVIATION

Unfortunately, the people and businesses in general aviation, like other industries, are weathering one of the worst economic storms anyone has ever seen. The impact of the flagging economy on the companies and communities that rely on general aviation is visible in all parts of the country.

In the past year, we saw business aviation flying decrease by as much as 35 percent in some locations. The inventory of used airplanes available for sale reached an all-time high, with close to one in five airplanes for sale. Prices for business airplanes declined by 40 percent, and employment at leading general aviation companies fell by as much as 50 percent. While we have seen some uptick in flight activity in recent months, activity is still below the 2008 levels and experts agree that the recovery will be slow and gradual over the next several years.

Future of Aviation Advisory Committee:

The FAAC covers a wide range of topics. I will focus our comments on the following topics:

- Next Generation Air Traffic Control Technology
- FAA Funding
- Airports

Next Generation Air Traffic Control Technology:

While much has changed for the industry I represent as a result of the recession, one thing has remained constant – our continued support for modernization of the nation’s air traffic control system. We commend the Administration for conducting a thorough examination of all of the issues related to system modernization.

Accelerating the transition to the Next Generation air transportation system will advance important national objectives including: further reducing the industry’s environmental footprint, reducing long-term costs at the FAA, enhancing safety, expanding system capacity and reducing delays.

General aviation has long been at forefront of the modernization effort. We were early adopters of GPS navigation systems. We helped initiate the ADS-B test program in Alaska – a test program that is now the cornerstone technology of the modernization effort. We also participated in the ADS-B experiments at the Atlanta Olympics in 1996. In 2005, we supported our nation’s transition to Reduced Vertical Separation Minima (RVSM) which effectively doubled our en route airspace capacity.

So, while general aviation has never been nor is it projected to be a major cause of system delays, we have a strong record of working tirelessly to expand system capacity and improve system efficiency. Thus, it should come as no surprise that general aviation has been a leading proponent of NextGen.

In order to expedite the transition to NextGen, the FAAC has suggested that government investment in aircraft equipage is an important infrastructure investment that will streamline the system and further reduce aviation’s already small environmental footprint. As the FAAC reviews these questions, we urge the FAAC to be sure that any program developed is equally available to all operators in the system.

FAA Funding:

During the FAAC deliberations, some have suggested that FAA should move toward a different funding model. Over the past five years, the government and industry have thoroughly explored and debated

this topic. Let me take this opportunity to reiterate the benefits of the existing GA fuel tax payment as a means for GA to contribute to the aviation system.

If the objective is to tie system use and funding, there is no better payment method for GA than the fuel tax. Aviation systems throughout the world use a formula that is based on aircraft weight and distance flown. The best proxy for weight and distance is a fuel tax. If you fly a longer distance, you will pay more. If you use heavier aircraft, you will pay more. The GA fuel tax gives you an accurate use measure without any of the administrative costs or burdens of user fees.

In addition,

- **The Government Can Efficiently Collect Fuel Taxes.**
Fuel taxes are directly remitted to the federal government, eliminating the need for a large bureaucracy to collect the taxes from hundreds of thousands of individual pilots and aircraft owners. Therefore, taxes are collected without the administrative costs required to support a large and expensive bureaucracy of collectors, administrators, auditors and accountants – whether inside the government or contracted out to vendors.
- **Fuel Taxes Are Easy to Pay and Difficult to Avoid.**
Fuel taxes are easy to understand and simple to pay. Because fuel taxes are included in the amount charged for fuel, it is nearly impossible to avoid paying the tax.
- **Fuel Taxes Provide a Stable, Predictable Source of Revenue to the FAA.**
Since their implementation in 1970, general aviation fuel taxes have proven to be reliable revenue generators for the government. In fact, the government is pre-paid for services under this system.
- **Fuel Taxes Are Assigned Fairly, Based on an Operator's Use of the System.**
As previously stated, there is no simpler and more accurate way to measure system use than through the fuel tax.
- **Fuel Taxes Help Decrease Emissions, Noise and Congestion.**
A tax on fuel use provides an incentive for general aviation users to purchase newer, cleaner, quieter and more fuel-efficient aircraft. Additionally, fuel taxes by their nature penalize operators that use congested airports which require more fuel use for increased taxi and air time.

There has also been discussion about whether to examine how costs should be allocated among users. As you know, cost accounting tells one WHAT something costs. Cost allocation tells one WHY it costs that amount. There are a number of cost allocation methods that might be used and choosing one is a policy decision. We would urge this Administration to use only those methods that are well-established and commonly accepted both in the United States and around the world. If there is any review and given the magnitude of a methodology decision, we urge this Administration to involve all stakeholders in a direct and meaningful way in any future discussion about or decision on a methodology and the examination of costs.

We strongly believe that a cost allocation methodology must be based on established economic principles or it will not reflect the underlying economics of providing FAA services. For example, dividing costs by the number of flights may be simple to do, but this approach does not address the costs imposed on the system by different segments of the industry. The size, complexity and cost of the National Air Transportation System are dictated by the commercial airlines and their hub and spoke

operations. If taxes are set based on such an erroneous assumption as dividing costs by the number of flights, then the consequences could be quite substantial and result in dramatic increases in the cost of operating general aviation aircraft for a business purpose without any corresponding relationship to ATO costs. This would be bad economics as it is unlikely that reduced use of general aviation aircraft for business purposes would in fact reduce FAA costs. Flying would be discouraged without any relationship to cost reduction. This would be bad economics, bad business and bad policy.

AIRPORTS:

We commend DOT and FAA for the recognition over many years that for our country to be successful we need a diversity of airports and a diversity of operators. From large hub airports to small public use airports, our nation requires that access to the aviation system is essential.

The national system of airports and airspace plays a key role in supporting a number of national priorities, including:

- national defense,
- emergency preparedness and response,
- the delivery of people, goods and services via interstate and international commerce,
- postal delivery to all sections of the country,
- medical emergencies/organ delivery,
- national and local economic development.

There are over 5,000 public use airports in the United States. Approximately, 500 have commercial service. That means that GA is a lifeline for thousands of communities throughout the country. We urge the FAAC to ensure that aviation access for communities of all sizes is a central part of the aviation system going forward. An effective national network of airports of all sizes must be adequately funded and supported.

Again, we appreciate the opportunity to offer comments and look forward to working with Department and FAA to address the aviation challenges facing the United States. Please do not hesitate to contact me if you have any questions or would like additional information.

Sincerely,



Ed Bolen
President and Chief Executive Officer
National Business Aviation Association