

Why user fees are wrong for general aviation



A panel of general aviation association representatives held a formal discussion of user fees at the recent NBAA convention in Orlando FL. Speakers voiced unanimous rejection of any form of user fees. (L-R) NBAA Pres & CEO Ed Bolen, EAA Pres Tom Poberezny, NATA Pres Jim Coyne, GAMA Pres & CEO Pete Bunce and AOPA Exec VP of Govt Affairs Andy Cebula.

Photo by Jack Sykes

By Ed Bolen
President, NBAA

The nation's commercial airlines want to shift their tax burden onto general aviation and seize control of the nation's air traffic system from Congress. If there was any doubt about this fact, it was removed on Mar 8, when Jim May, president of the airlines' trade association, called a press conference to outline the airlines' position on FAA reauthorization.

Reporting on the press conference, the *Dallas Morning News* said, "The nation's airline industry is lobbying to cut as much as \$2 billion in taxes from its annual tab, shifting those costs to smaller business aviation users and other aircraft." The *Wall Street Journal* said the airline proposal "would reduce congressional power over the system," and quoted May saying, "We need to get Congress out of this process." Lest anyone think he was misquoted, May re-emphasized the airlines' position in an August speech to the Florida Airports Council, where he said, "It is critical we have a governance structure that is, to the best of our ability, free of the pressures of Congress."

Supporting the airlines in their quest to have industry rather than government control the air traffic system is Robert Poole, founder of the Reason Foundation, a libertarian think tank that publishes an *Annual Privatization Report*. In arguing for user fees, Poole recently wrote that "shifting from aviation taxes to direct user payments for ATC services is the essential precondition for commercialization."

The National Business Aviation Association (NBAA) opposes the airlines' plan. Our members represent thousands of small to midsize business owners, along with corporations, nonprofits and academic institutions.

And we're not alone in our opposition—NBAA has appeared at events with presidents from the Aircraft Owners and Pilots Association (AOPA), the Experimental Aircraft Association (EAA), the General Aviation Manufacturers Association (GAMA), and the National Air

Transportation Association (NATA) to speak out against the airlines' scheme.

Why are the general aviation associations so united in opposing user fees and ATC commercialization? Let me give you 8 good reasons.

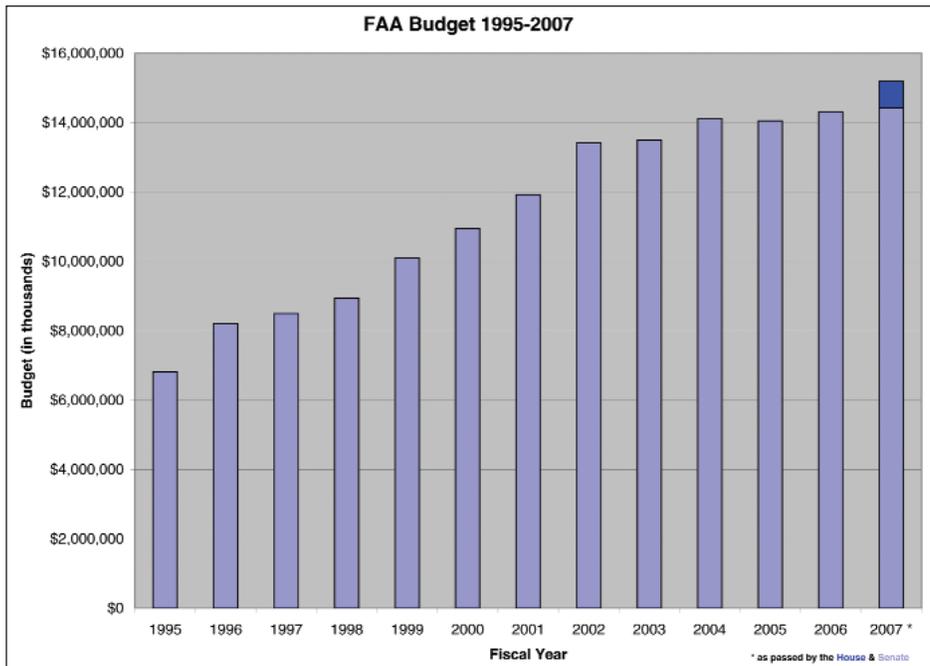
Eight reasons for a united front

One. The airlines' user fee proposal would dramatically and disproportionately increase the amount GA pays to use the aviation system. According to the Reason Foundation, the average Part 91 operator flying an entry-level business jet pays just less than \$21,000 per year into the Airport and Airways Trust Fund through the aviation fuel tax. Under the airlines' user fee proposal, the mandatory charges for flying in the air traffic system would skyrocket to \$149,000 per year—a 7-fold increase!

Two. Operators would have the added cost of processing user fee invoices (open invoice, create purchase order, cut check, retain a record, etc). This represents a new, hidden tax to operators that provides no revenue to the air traffic system. According to a 2003 statement by the International Air Transport Association (IATA), it costs commercial airlines \$85–125 to process each user fee invoice from a foreign commercialized air navigation service provider. To calculate this impact, simply count the number of flight segments you flew last year and multiply that number by \$125.

Three. User fees would increase at a faster rate than fuel taxes. In the US, fuel taxes haven't changed since 1997. In foreign countries where commercialized air traffic systems charge user fees, those fees routinely increase annually or at least biennially.

Four. In foreign countries airlines dominate commercialized air traffic systems and use their power to dictate system funding decisions. In the US it's difficult to believe that the airlines would use their domination of a commercialized system to promote the best interests of all users of the system. After all, the opening salvo in the reauthorization debate was fired when Northwest Airlines' then-CEO attacked Minnesota's reliever and GA



Congress has ensured the stability and reliability of FAA funding over the years and is expected to continue to do so.

airports in his company's inflight magazine. It's easy to see how the airlines could use their domination of a commercialized ATC system to impede GA's access to airports and airspace.

Five. User fees would inappropriately put FAA in the tax-collection business. The new, massive undertaking of creating an IRS-like branch within FAA could dilute the agency's safety focus.

Six. User fees would require creation of a new federal bureaucracy that includes billing agents, collection agents, auditors, lawyers, new computer databases—all of which would be paid for by operators. EuroControl is the government billing and collection entity in Europe. Their building in Brussels is known in aviation circles as the Taj Mahal for its user-funded opulence.

Seven. User fees would create a huge disincentive for efficiency. This is just the opposite of what proponents of user fees will tell you. But think about it—when was the last time consumers exercised any real authority over a monopoly service provider? If a bureaucracy is able to charge you for the time you spend in the system, what incentive is there to reduce time in the system? Several countries currently charge certification fees. Without exception, these fees are based on the number of people and hours involved. And, without exception, it takes more people and more time to certify a product in those countries than in the US.

Eight. Why give up on a system that works so well? For nearly 4 decades the funding structure—a combination of aviation excise taxes and a federal General Fund contribution with congressional oversight—has enabled the US to build and operate a system that is the safest, most efficient and largest in the world. This funding mechanism has proven to be remarkably stable and predictable—particularly in turbulent times. In just the past 6 years, the national budget has been under pressure from the collapse of the technology bubble, terrorist attacks, wars in Afghanistan and Iraq, SARS and

Hurricane Katrina. Yet through it all, FAA funding has increased every year in a stable and predictable manner.

The current funding structure is not only healthy—it also appears sufficiently robust to meet all projected expenditures over the next decade. Today, revenues from the aviation excise taxes are at an all-time high. This is true despite the fact that for the past 5 years aircraft operations (what FAA calls its "workload") have remained below their 2000 peak.

In addition, the uncommitted balance in the Airport and Airways Trust Fund is rising, according to Administration projections. It is also worth noting that Congress continues to provide FAA with a larger General Fund contribution than the agency requests.

But, perhaps most importantly, the Congressional Budget Office (CBO) recently testified before a

House Subcommittee that the current funding structure can provide enough revenue to pay for the transformation to the Next-Generation Air Transportation System (NGATS). The CBO official's comments prompted the Ranking Democrat on the Subcommittee to say, "I do have serious reservations with imposing a direct user fee... Given the healthy state of the Trust Fund, I have reservations about the necessity of alternative financing."

Our system and FAA are successful

The good news on FAA funding corresponds with the good news in the agency's management. Over the past few years FAA has been able to attract world-class talent to the agency. The new management team has developed a clear strategic plan and instituted sound business practices. It has also begun the vital transformation to the NGATS.

FAA's transformational activities include rolling out RNAV and RNP to take advantage of GPS satellites, and implementing the System Wide Information Management program, which integrates FAA's computer programs.

ADS-B is scheduled for implementation in 2014, and just last year the enroute airspace capacity was doubled through adoption of RVSM.

The airlines never talk about the progress that is being made at the FAA. They would have you believe that FAA continues to be the same hidebound bureaucracy it was a decade ago, incapable of managing modernization programs and budgets—the fact is, FAA is currently delivering 92% of its programs on time and 97% within budget.

Allocating costs using mainstream economic principles

In advocating for the shift of \$2 billion in taxes from the airlines to GA and the commercialization of ATC,

the commercial airlines are promoting the idea that charges for air traffic services should be on a “per-airplane” basis with all aircraft paying a fee based on take-offs and time in the aviation system. They attempt to justify this fee by promoting the concept that every aircraft imposes the same cost on the system regardless of type of operation (Part 91, 135, 121), airplane size or number of people on board.

This is not a new concept—airlines have been promoting it internationally for decades. It is, however, a thoroughly discredited concept which has been rejected by every country because it does not withstand rigorous scrutiny by economists with cost-allocation expertise.

The fact is that the US air traffic system, like those everywhere else, was built and is currently operated to meet the demanding requirements of commercial airline operations. Airline operations dictate the size, scope and cost of our air traffic system.

According to a 1997 Government Accountability Office report, the airlines’ hub-and-spoke operations are particularly expensive. This stands to reason—when a single airline schedules a large number of aircraft into an airport within a narrow window of time, it forces FAA to hire controllers and install expensive equipment that would otherwise not be necessary.

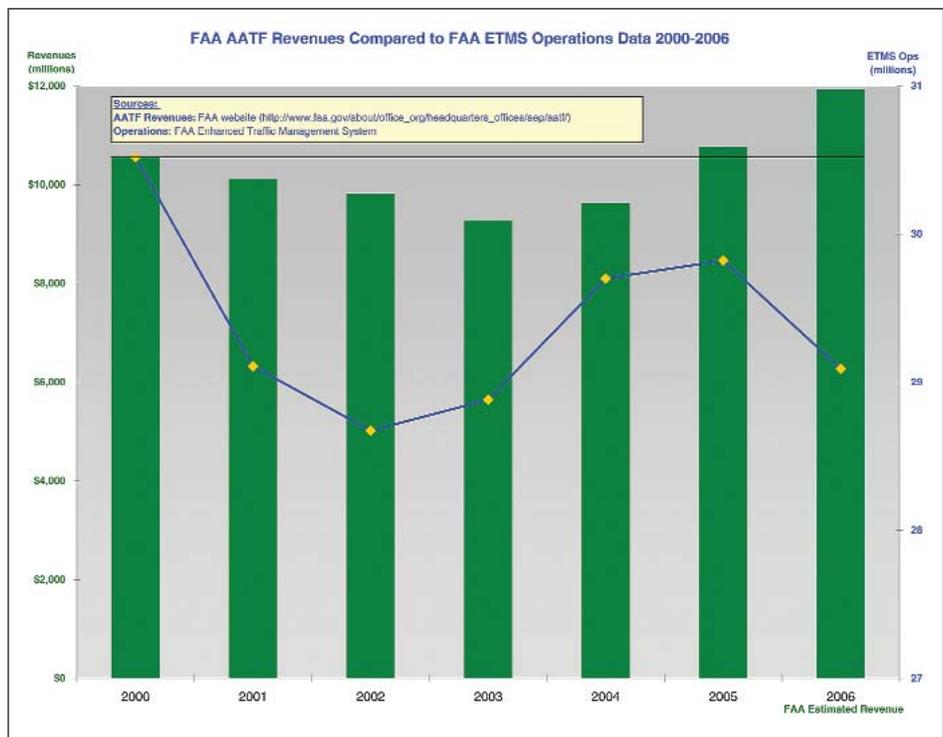
In the 1990s, when American Airlines announced that it would establish hubs in Nashville TN and Raleigh–Durham NC, FAA spent hundreds of millions of dollars on new equipment to handle the congestion American Airlines generated at those airports. Even though American later ceased hub operations at both airports, the costs the airline necessitated have remained in the system.

Now the airlines want all aircraft to pay for such airline-generated costs on an equal, per-aircraft basis. This is like going out to dinner with someone who orders the most expensive items on the menu, then wants to split the check equally among everyone in the dinner party.

Unlike the airlines, GA operations do not drive the cost of the air traffic system. In fact, if the entire GA fleet were grounded tomorrow, the costs of running the ATC system would not go down significantly.

As evidence, consider the case of DCA (National, Washington DC). GA operations were banned from the airport for 4 years after Sep 11, but the costs of running DCA did not decrease during that time.

Over the past 25 years, FAA has done several cost-allocation studies on its air traffic system, all of which have recognized that airline operations are the primary driver of system costs. The most recent FAA cost-allocation study, conducted in 1997, showed that GA opera-



Since 2000 FAA revenues have increased, even as FAA operations (what the agency calls its “workload”) have decreased.

tions were responsible for about 6% of ATC costs. Of course, about 6% of the revenues going into the Airport and Airways Trust Fund are from the GA community, so there is every reason to believe that the current GA excise taxes cover or come close to covering the costs GA operations impose on the air traffic system.

The airlines’ proposed concept of looking at every aircraft as though they each impose the same costs on the system is not only at odds with FAA’s 25-year history of cost-allocation studies—it flies in the face of mainstream economic analysis.

For those of us in the GA community, there should be no doubt about what is at stake in the FAA reauthorization process. The airlines are out to give business aviation a \$2-billion tax increase—make no mistake, a fee is just a tax by another name—and seize control of the nation’s air transportation system from the federal government.

Now is the time for everyone in the GA community to join in the debate by contacting their elected officials and telling them to just say “No” to aviation user fees and the airlines’ plan to take control of our nation’s airspace. An easy way to do so is to go to the NBAA website—www.nbaa.org—and click on the “Contact Congress” icon. As a pilot, your voice matters. Make sure it’s heard in Washington!



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