



**STATEMENT OF THE
NATIONAL BUSINESS AVIATION ASSOCIATION**

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PRESIDENT AND CEO**

BEFORE

**THE COMMITTEE ON TRANSPORTATION &
INFRASTRUCTURE**

U.S. HOUSE OF REPRESENTATIVES

REGARDING

"REVIEW OF ATC REFORM PROPOSALS"

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Chairman Shuster, Ranking Member DeFazio and members of this committee, thank you for inviting me to testify today about the Aviation Innovation, Reform and Reauthorization (AIRR) Act of 2016, or H.R. 4441.

As we all know, aviation is central to our nation's economy and way of life. What we do with FAA reauthorization will have profound implications for all aviation segments. More importantly, it will have implications for all Americans.

There is a great deal at stake in this reauthorization, and it is imperative we get it right.

In discussing H.R. 4441 today, it is appropriate to focus on three key areas: Where our air transportation system is today; where we want it to be in the future; and how best to get from where we are today to where we want to be in the future.

By every objective measure, the United States has the largest, most diverse and safest aviation system anywhere in the world today.

That world leadership is especially pronounced in general aviation. NBAA represents over 10,000 American companies that rely on general aviation aircraft to meet some portion of their transportation challenges. Among the many ways our members use general aviation is to reach multiple locations in a single day, move equipment that may be too big to fit in an overhead bin, or too sensitive to fit in a cargo hold. They also use general aviation to reach thousands of communities not served by scheduled airline service.

Let me give three examples that are illustrative of NBAA's membership:

Manitoba Recycling is a third-generation scrap-metal company in Buffalo, New York. They credit their turboprop airplane with saving their company when they needed to look beyond upstate New York, and the closing manufacturing plants there, for new sources of scrap metal.

Premier Bone and Joint Centers is an orthopedic practice in Laramie, Wyoming. The company uses general aviation airplanes to transport doctors to clinics across the state, so they can provide surgeries for patients in need.

Schweitzer Engineering Laboratories is an employee-owned company in Pullman, Washington, which develops power-grid technologies. Business aviation is often the only way the company can reach the locations associated with energy infrastructure projects.

As you can see from these examples, our members are extremely diverse in terms of their core business, and the locations from which they operate. But, they are all part of a general aviation industry that is largely unique to the United States.

In the U.S., general aviation employs over 1.1 million people and generates over \$200 billion in economic activity. General aviation also spurs economic development in our country's small towns and rural communities. It helps U.S. companies compete in the global marketplace. And, every day, general aviation aircraft transport vital organs, get cancer patients to treatment centers, reunite combat veterans with their families and respond to natural disasters.

This is not something found in other parts of the world. The fact is, nearly three-fourths of all the general aviation operations in the world take place right here in the United States. Unlike in other countries, general aviation is a fundamental engine in our nation's economy, and a vital link in our transportation system.

But, it is not just in general aviation where the United States is a world leader. The U.S. system is of a size and scope not found anywhere in the world. America is home to eight of the world's 10-largest airports, as measured by number of flights. The system services nearly 25 million flights annually, and there are up to 6,000 flights airborne at peak times in the U.S. airspace system. No other country comes close to those numbers.

While setting the baseline on where we are today is appropriate, the primary focus of FAA reauthorization must be on where we want to be five, 10 and 25 years from now.

At NBAA, we want the United States to continue to be the world leader in all aspects of aviation for decades to come. We believe there are targeted solutions we can include in this FAA reauthorization bill that would ensure that outcome.

Unfortunately, instead of focusing on specific solutions to identified issues that everyone can get behind, this entire debate has been co-opted by the big airlines, which have revived their long-standing efforts to seize control of our nation's air traffic system. We believe the airlines' risky proposal is unlikely to make our system better, and would certainly leave smaller businesses, consumers and communities in a worse situation — not a better one.

Here are some realities about H.R. 4441.

First, America's aviation system is, and will remain, a monopoly. The question on the table is, who will effectively control this monopoly, and for whose benefit? H.R. 4441 would take control of the nation's air traffic system away from the public's elected representatives and give it away, for free, to a board dominated by big airlines.

A careful reading of headlines over the past year provides reason for all Americans to be concerned about turning over our air traffic control system — a natural monopoly — to the big airlines, as proposed in H.R. 4441.

For example, a recent *Washington Post* headline reads, "Justice Department Investigating Potential Airline Price Collusion." A recent *Dallas Morning News* headline reads, "Fees Allow Airlines to Get Away With Skyway Robbery." A recent story in *The Hill* is headlined, "Airline Complaints on the Rise." A *New York Times* story from this past weekend is headlined, "Airlines Reap Record Profits, and Passengers Get Peanuts." And a recent story in *The Wall Street Journal* is headlined, "Airline Consolidation Hits Small Cities Hardest."

Giving the airlines the unbridled power over our air traffic system, as they have long sought, is a dangerous proposition.

Why? Because when the airlines are in charge of our system, and the public's elected representatives are effectively removed from the equation, there will be no means for recourse over the decisions of the board.

This is a breathtaking transfer of authority that will include decisions on everything from access, to airport funding, fees and charges, tower operations, infrastructure and airport investments, all being made by a group dominated by commercial airlines.

It's no wonder that, by a two-to-one majority, the public opposes this idea.¹ Congress should oppose it as well.

Of course, the proponents of this bill talk about "protections" from the worst the airlines could do with their new-found authority. We believe talk about protections is a tacit acknowledgement that serious risks exist. We also believe that over time, the airlines will find their way around any so-called protections.

Another concern we have about H.R. 4441 is that it fails to promote cost savings. The ATC Corporation created in H.R. 4441 appears to be largely based on Canada's air traffic control system. Canada's aviation system handles just a small fraction of the traffic moved through America's system, raising questions of scale. Even a recent report from the Department of Transportation's Inspector General states that there are significant differences between the U.S. system and foreign systems, including Canada's, in terms of operations and financing.²

News reports have concluded that the FAA-run system costs \$2.07 per mile, eight cents cheaper than Nav Canada charges.³ By proposing to model America's system after Canada's, H.R. 4441 is putting consumers on notice that the costs they pay are likely to be going up.

Another example the airlines have trumpeted is the U.K.'s privatized system. In recent years, that system required a financial bailout from taxpayers and government.⁴ Under H.R. 4441, something similar could happen in the United States if there is a financial crisis or economic downturn. In such a case, either users will have to pay more or U.S. taxpayers will have to step in and bailout the ATC Corporation.

An additional concern we have about H.R. 4441 is that it has the potential to jeopardize funding stability for the aviation system. In the course of this reauthorization debate, critics of the current system have raised questions about funding predictability for the FAA. But a look at the empirical data shows funding in privatized systems is not, and has not been, more stable and predictable than the FAA's funding.

Yet another troubling aspect of H.R. 4441 is that it raises concerns about preserving access. What makes the U.S. air transportation system so unique and special is that it serves all Americans, in communities large and small. That is very much at risk if we move to an

¹ "Voters Overwhelmingly Oppose Privatizing the Air Traffic Control System: Aviation Issues Nationwide Survey Results," Global Strategy Group, September 14, 2015. Available here: <http://www.aviationacrossamerica.com/wp-content/uploads/2015/09/National-Aviation-Issues-Survey-Memo-FINAL.pdf>

² "There are significant differences between FAA and foreign countries' processes for operating air navigation systems," Office of the Inspector General, US Department of Transportation. Available here: <https://www.oig.dot.gov/sites/default/files/FAA%20and%20Foreign%20Countries%27%20Processes%20for%20Operarting%20Air%20Navigation%20Systems%20Final%20Report%5E9-2-15.pdf>

³ "Should the US Privatize Air Traffic Control?" Bloomberg, September 11, 2015. Available here: <http://www.bloomberg.com/news/articles/2015-09-11/should-the-u-s-privatize-air-traffic-control->

⁴ "Government bails out air traffic service," Daily Mail. Available here: <http://www.dailymail.co.uk/news/article-101269/Government-bails-air-traffic-service.html>

airline-dominated air traffic system. It is reasonable to assume the current focus on serving all Americans will change to just serving those Americans living in large hub cities.

In Canada, the legislation that authorizes Nav Canada as the privatized ATC operator allows service levels to be set without external oversight. The legislation does not prohibit a lower level of service for general aviation operators, and allows Nav Canada to revise its service policies at any time. This setup for Nav Canada is what is being proposed in H.R. 4441.

Here in the United States, the CEO of a major airline recently said the carriers are pushing for the legislation before us "to direct infrastructure improvements into regions of the country where they'll produce the most benefits, like the Northeast corridor."⁵ It makes one question what will happen in other parts of the country.

Finally, H.R. 4441 appears to confuse airline control with aviation system modernization. The airlines' push to seize control of the ATC system has been promoted by them as a modernization effort. But the reality is that instead of talking about modernization goals and best business practices for success, we are once again debating the wisdom of turning over the ATC system to a board dominated by the big airlines.

Moving to a system effectively controlled by the airlines is likely to be a major distraction in our efforts to make NextGen a reality, and could represent a step backwards. Consider for example that the airlines have already pushed back their own ADS-B equipage deadline.

Instead of focusing on giving the airlines control, we need a results-driven approach to get us to modernization while ensuring that our air transportation system works for all Americans in communities large and small.

When I began my remarks, I said FAA reauthorization is about where our air transportation system is today; where we want it to be in the future; and how best to get there. Today, the U.S. system is the safest, largest and most diverse in the world. Moreover, it serves Americans in communities large and small. Americans need our nation to continue to be the world leader in all aspects of aviation for decades to come. There are a number of solutions we can act on to make that future a reality.

That includes taking a clear step to ensure funding for the agency's modernization programs. We support measures that leverage our existing excise tax structure, and protect the revenues it generates from sequestration and government shutdowns. We also support bringing more accountability to the agency by fostering best practices from the private sector on accountability, performance, procurement, and personnel, so that promises are met with results. We also support the streamlined certification contained in H.R. 4441. These are among the targeted solutions we can and must implement as part of this FAA reauthorization process.

But, putting the existing air traffic monopoly beyond the reach of the public's elected representatives and giving it to the big airlines is a fatally flawed concept. We urge the Committee not to go down this risky path.

Thank you.

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⁵ Statement by Robin Hayes, International Aviation Club, Washington, October 9, 2015.