

STATEMENT OF ED BOLEN
PRESIDENT AND CEO
NATIONAL BUSINESS AVIATION
ASSOCIATION

SUBMITTED TO THE
COMMITTEE ON SMALL BUSINESS
U.S. HOUSE OF REPRESENTATIVES

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Chairwoman Velazquez, Ranking Member Graves and members of the Committee, as President and CEO of the National Business Aviation Association, I would like to express my appreciation for the opportunity to provide our views during this important hearing on “Bonus Depreciation: What it Means for Small Business.” It is important to note that of the companies using general aviation for business in the U.S., 85 percent are small and mid-size companies.

NBAA was founded 63 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 may 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.

Most recently, 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 recently 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. The inventory of used airplanes available for sale reached an all-time high. Prices for business airplanes declined by 40 percent, and employment at leading general aviation companies fell by as much as 50 percent.

I touch on these issues since they have a direct correlation to the subject of your hearing today—the importance of extending the benefits of Bonus Depreciation to encourage greater investment in American businesses, industry and our national workforce during this difficult economic period.

WHY BONUS DEPRECIATION IS VITAL TO GENERAL AVIATION

Earlier this decade, Congress enacted accelerated depreciation legislation to help the economy recover from the economic recession that followed the terrorist attacks of September 11, 2001. This tax incentive has proved to be an effective and immediate tool in stimulating aircraft purchases during a difficult economy. The most recent accelerated-depreciation policy expired at the end of 2009. Earlier this year, NBAA joined with more than 80 American businesses and organizations in sending an open letter to both House and Senate leadership calling for renewal of this important tax incentive.

We also commend the bipartisan group of House Members who recently sent a letter urging the House Ways and Means Committee to extend the temporary bonus depreciation tax provision for equipment purchases made in 2010, which includes general aviation aircraft.

The letter was signed by 18 Members requesting House Ways and Means Committee Chairman Rep. Sander Levin (D-MI), and Ranking Member Rep. David Camp (R-MI) to incorporate bonus depreciation in any final version of the pending Senate Small Business Tax legislation or any similar tax/jobs legislation that may be enacted by Congress this year.

There is no doubt that bonus depreciation is a proven incentive for businesses to accelerate replacement and purchases of essential equipment--including general aviation aircraft. Reinstating this and other tax incentives will help bring back more U.S. manufacturing jobs and work to improve our trade balance, and at the same time enable many more American companies to continue using business aviation to succeed.

More specifically, bonus depreciation will also benefit the national economy beyond just the purchase/sale of new general aviation aircraft. It will benefit hundreds of manufacturers and thousands of operators, and help restore good-paying jobs in our general aviation manufacturing and services sector. It will also strengthen the economic viability of associated businesses and industries in communities surrounding general aviation airports and facilities. The production and sale of new aircraft will support the pursuit of the latest in aviation safety and fuel-efficiency technology and reduce aircraft noise and engine emissions as well.

In closing, let me commend the Committee for holding this hearing today. We look forward to working with you, the Congress and the Administration in the coming days to obtain legislation extending accelerated depreciation. On behalf of the National Business Aviation Association, I urge the Congress to act on this important legislative goal as soon as possible. Thank you.