STATEMENT OF THE

NATIONAL BUSINESS AVIATION ASSOCIATION

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BEFORE

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COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

U.S. HOUSE OF REPRESENTATIVES

REGARDING

"THE STATE OF AMERICAN AVIATION"

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Chairman LoBiondo, Ranking Member Larsen, members of the subcommittee, on behalf of the more than 10,000 members of the National Business Aviation Association (NBAA), I am pleased to have the opportunity to provide our views at this important hearing today on "The State of American Aviation."

We commend the members of this subcommittee for your continued commitment to our nation's aviation-transportation system and the on-going efforts to strengthen growth and opportunity during this period of economic recovery. Ensuring that the United States continues to lead the world in aviation is clearly in our country's interest, and must remain a national imperative.

NBAA and its members remain committed to working with the Congress, industry and other stakeholders to strengthen and modernize the nation's aviation system.

Facts About Business Aviation

As the members of this subcommittee know, the aviation system is made up of three, fully integrated segments, each critical to the success, strength and growth of our economy. Those are:

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

As part of the general aviation segment, business aviation is a term defined by the Federal Aviation Administration (FAA) as the use of any general aviation aircraft – piston or turbine – for a business purpose.

This includes a diversity of operations, from small and mid-size businesses, to companies that are household names; from businesses that use aircraft for agricultural purposes, to entities that rely on it for public services, like law enforcement, fire and rescue, and other government services.

The business aviation fleet is dominated by pistons and turboprops, with over 80 percent of the business aircraft in the U.S. having cabins about the size of an SUV, and flying on average less than 1,000 miles per leg. The vast majority of these operators use small aircraft that seat no more than eight people. Supporting these aircraft, and the organizations that rely on them, are Fixed Base Operators (FBOs), maintenance technicians, suppliers and service providers.

Business aviation is a vital link in our transportation system, and a powerful engine for job creation and economic growth. The industry contributes more than $150 billion to annual U.S. economic output, and directly or indirectly employs more than one million people.

Most business aircraft operating around the world are manufactured and/or completed in the U.S., and the industry's strong American manufacturing and employment base contributes positively to our nation's balance of trade.

A Vital Lifeline for Main Street

In communities 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 few or no other transportation options that meet their needs.

Many small and mid-size businesses are located in areas with little or no 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. Frequently, the distances are too long to drive, or airline service is not available. And often, workers need to optimize the productivity of their travel time, even including sustained contact with colleagues at headquarters while in flight. And when these and other needs must be addressed, business aviation provides the solution.

A Competitive Tool for American Businesses

For example, a survey of business aviation pilots and passengers, conducted for NBAA and the General Aviation Manufacturers Association by Harris Interactive, concludes that managers, technical teams and other employees are the typical passengers on business aircraft – not senior executives. The business airplane gives these employees the ability to have an in-person presence that is often fundamental to a company's success.

Respondents to the Harris survey also reported that employees use their time onboard company aircraft more effectively and productively than when they are on airline flights. Workers can meet and collaborate, and on many aircraft, communications technologies let passengers stay in contact with the home office while in flight. Some passengers even estimate that they are more productive on the company aircraft than they are in the office, because of fewer distractions.

Of course, the Harris survey is not the only study that has pointed to the benefits of business aviation to companies of all sizes. Multiple studies commissioned by NBAA, including one conducted this year, have shown that companies using business aviation routinely out-perform similar companies that do not use business aviation. The same studies have pointed out that America's most innovative and admired companies, and the nation's best corporate citizens and most-trusted brands, are business aviation users.

Simply put, the use of a business airplane is the sign of a well-managed company – like a Smartphone or a tablet device, business aviation helps companies be more efficient, productive and successful. In an economy that has in recent years been enormously challenging, it's a tool that can help a company outperform its competitors. As the economy slowly recovers, it's a tool we wouldn't want to take away.

A Lifeline in Emergencies

Business aviation is not only essential to communities and companies – it also provides critical assistance to individual citizens in crisis.

The people and companies in the industry have snapped into action when there's a need to confront hurricanes in the Southeastern U.S., floods or tornadoes in the Midwest, fires in the West, or a 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.

The Corporate Angel Network, which counts NBAA Member Companies among its supporters, arranges 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.

The industry's humanitarian efforts even extend beyond our own shores. For example, hundreds of business aircraft operators, including a number of NBAA Member Companies, coordinated to deliver 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 work of these entrepreneurs and businesses to help Haiti's people continues even today: In summer 2013, another series of volunteer relief flights delivered some $100,000 of critically needed medical supplies to St. Luke's Hospital on the island nation.

Clearly, business aviation is an essential industry in America today. From creating growth opportunities and global connectivity for America's small towns and rural areas, to supporting the nation's productivity, to providing lift for humanitarian initiatives, business aviation plays a critical role in the nation's aviation system, and the country's broader transportation network.

But for all the good news about business aviation, the industry finds itself in challenging economic times.

An Industry Confronting Headwinds

As this committee knows, the people and companies in business aviation have in recent years been 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 business aviation has been visible in all parts of the country.

During the Great Recession, we saw business aviation flying decrease by as much as 35 percent in some locations in the United States. 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 plummeted by 40 percent, and the employment ranks at leading general aviation companies were slashed by as much as 50 percent.

While it appears that the industry is off what economists call the "bottom" of the recession, we know that most analysts do not expect the industry to return to the high-points in flight hours and other measures of health and growth – which we last saw in 2007 – until the year 2018.

We also know that our economic challenges are often exacerbated by the political challenges we face.

Take, for example, the crisis the industry faced from the government shutdown earlier this year. After all, the aviation industry is among the country's most heavily regulated industries, so when government services are reduced or eliminated, our industry feels the impact more acutely than others do.

Imagine if no citizen of the United States could buy or sell a car, purchase or re-finance a home, or if the sale of other critical goods came to a complete and grinding halt – that's what basically happened in business aviation. The government shutdown led to the closure of the FAA's U.S. Aircraft Registry, and as a result, aircraft could not be purchased, sold, imported, exported, and in some cases, flown.

The many small and mid-sized companies that rely on the Registry to be open and accessible were harmed, and the shutdown impacted the industry in a host of other ways as well. The situation dealt a harsh setback to an industry already in the midst of a gradual economic recovery, exacerbating the challenges created by the recession.

Throughout the shutdown, NBAA urged policymakers from every point on the political spectrum, both sides of Capitol Hill and both ends of Pennsylvania Avenue to find some way forward. We appreciated the support of Members of Congress, and the bipartisan group of 44 members of the House who sent a letter calling on FAA Administrator Michael Huerta to reverse the closure of the Aircraft Registry office.

And, while the shutdown unquestionably took a heavy toll on business aviation, the people and companies in the industry proved resilient as always, and focused on solutions to the challenges it posed. The business aviation community has a proud tradition of working toward shared solutions to challenges, and as an association that represents the industry, that solution-oriented approach is one we bring to discussions with government leaders about ways to ensure that America's aviation system remains the world's best.

Focusing on Near-Term Challenges

As a first example, I'll point to the impact of sequestration – meaning, the recent curtailments to government spending – not just on long-term planning for the aviation system, but also on its operation today.

NBAA has participated in stakeholder dialogue with the FAA regarding the best approach to the fiscal constraints posed by sequestration. Our shared general aviation community has made a number of recommendations to apply specific options to help the FAA meet its sequestration-driven mandate for reducing aviation services and programs.

Our primary concerns included the impact that closing contract air traffic control towers would have on the airspace and airport system, as well as the risks associated with deferred maintenance and restoration of equipment outages for navigation and communication capabilities. On both fronts, we came to the table not with complaints, but with possible options for mitigating such scenarios to the greatest extent possible.

For example, we proposed that towers located in rural and remote areas with no overlying radar control services from an adjacent TRACON facility should receive consideration for at least some operating hours, as they provide the only aircraft separation service for an airport.

We also proposed that FAA evaluate the capacity of TRACON facilities to provide separation services on a limited basis to contract-towered airports underneath any overlying airspace that might have a closed tower. Prioritizing this approach would minimize the total efficiency impacts on the airspace system and on its operators as a whole.

We also urged FAA to consider the scope of the ground-equipment infrastructure at an airport in the potential tower-closing decision. An airport with remote long-distance communications links to a TRACON facility, local pilot-controlled runway lighting and automated local weather-reporting capability has a broad service, based on local automation and can more readily operate without a contract tower.

In a similar manner, we recommended that FAA reconsider and modify its initial approach to deferring maintenance and restoration services on critical navigation and communications equipment. Rather than let whatever equipment fails remain out of service – either permanently, or for a specified period of time – we urged a less-random strategy that would prioritize equipment restoration in certain areas, for certain purposes.

For example, at any airport that had an air traffic control tower closed, FAA should prioritize the continuous operation of ILS/VOR landing systems and AWOS weather-reporting capabilities – especially at airports with a single runway. At airports with multiple runways and multiple instrument landing approaches, we recommended that an outage of one or two capabilities could likely be deferred for a period of time, given the alternative capabilities that continued to operate and support on-going local services.

Unfortunately, as members of this subcommittee know, the FAA proposed to close about 150 contract air traffic control towers across the country last spring. Generally, these were the towers FAA indicated had less than 150,000 total annual operations, or less than 10,000 commercial flight operations. We believed those criteria were too broad, and that with more specific criteria, the agency could better ensure the safety and efficiency of flight for all operators in the airspace.

Mr. Chairman, we greatly appreciate the strong support the aviation community received from you and your Congressional colleagues on this issue. We applaud the leadership role Congress took in addressing the very serious concerns raised over the FAA's proposal to close the contract towers with legislation giving the FAA the funding flexibility, even under sequester, to keep the towers open. And, following the enactment of your legislation into law, we welcomed the FAA's decision to keep the towers in operation.

As sequester-related concerns continue into the future, NBAA stands ready to work with the Congress and the FAA to identify appropriate cost-savings and efficiencies to avoid harmful impacts on the agency and the aviation community.

Keeping Long-Term Priorities in View

That said, as we continue working to address the sequester and other near-term challenges, we know that we cannot lose sight of one, key, long-term priority: continued, forward movement on modernization of the nation's air traffic control system.

As the members of this subcommittee are well aware, the transition to a Next Generation, or "NextGen" air-transportation system will advance important national objectives, including further reduction of the industry's environmental footprint, the reduction of long-term costs at the FAA, enhancements to safety, expansion of system capacity and reductions in delays.

While we know that the current system has its short-comings, it is still the largest, safest, most efficient and most diverse system in the world – no other nation's aviation system comes close to matching our own.

At the same time, we recognize that this is not a time for complacency, or for accepting the status quo. The general aviation community is committed to working with the FAA, Congress and others to explore ways to do more, and do it better, with regard to aviation safety, operations and technologies, despite flat or declining government resources. As I said before, we want to be a constructive party in this conversation.

And as we look to the future, we believe there are at least three key areas that represent opportunities to reduce FAA spending, while maintaining or even enhancing aviation. Those are as follows:

1. **Streamlining Certification**. The FAA continues to be challenged in accomplishing the necessary certification of new aviation products and technologies. Current FAA certification processes have been overtaken by new aircraft design, components and

technologies, which have resulted in unacceptable delays in integrating needed enhancements into the aviation system. Recent enactment of the Small Aircraft Revitalization Act of 2013 provides an enhanced certification process for new light general aviation aircraft, avionics and other equipment. While we welcome this legislation, we also urge the FAA and Congress to continue working with the aviation community on streamlining and enhancing the certification process to reduce delays, eliminate duplications and encourage internal FAA certification-enhancement management practices.

2. **Moving Forward on an FAA Realignment and Consolidation Plan**. Section 804 of the 2012 FAA Modernization Reform Act requires the FAA to submit a National Facilities Re-alignment and Consolidation Report, to reduce costs and make necessary changes without adversely affecting aviation safety. We are hopeful that FAA will soon move forward to develop this plan, so that the industry, labor and other stakeholders can work with Congress and the FAA in making sensible, necessary and cost-effective changes to the system.

3. **Prioritizing NextGen Programs**. The business aviation community remains a committed supporter of prioritized investments in deploying new technology for air traffic control services. These Next-Generation investments provide direct benefits, by expanding aviation transportation capacity to accommodate economic growth, reducing on-going FAA operating costs, enhancing safety and reducing environmental impacts. FAA is working actively with all operators to define the most beneficial implementation strategy for NextGen equipment and facilities, as we proceed to the initial 2020 capability date. NBAA welcomes this collaborative effort, because it is clear that both FAA and individual operators need to identify additional incentives and/or benefits before equipage can be accelerated beyond its current pace.

Guiding Principles for Reauthorization

As we consider opportunities like the three I've outlined here – and as we look to the challenges and opportunities ahead – I would also like to offer a list of what we at NBAA consider our "Guiding Principles," which we believe can serve as the foundation of coming policy and legislative discussions with our community:

1) *A continued robust general fund contribution is vital to maintaining a safe and efficient national air transportation system*. All Americans benefit from such a federal investment, and it is important that all Americans have equal access to the aviation system, regardless of whether they live in rural America, or in the nation's largest urban cities.

2) *Preserve the general aviation fuel-based revenue sy*stem. Fuel-based fees do not require a new "Sky-R-S" to administer. Fuel fees are efficient to pay and difficult to avoid. Fuel fees are assigned fairly, based on an operator's usage of the system – the longer the distance an aircraft flies, the more its operator will pay in fuel fees. Fuel fees are also assigned fairly based on aircraft size, because small

aircraft use less fuel and pay lower taxes, while large aircraft use more fuel and pay higher taxes. Fuel fees also provide an important environmental incentive for GA operators to acquire newer, cleaner, quieter and more efficient aircraft.

3) *Congress should continue to have direct oversight over the FAA funding system.* Despite the economic and funding challenges we face now, or challenges such as 9/11, past recessions and other national impacts – Congress has provided a stable and consistent level of funding for our national aviation system.

A Need for Continued Engagement on Specific Challenges

As we consider our broad, current and future aviation needs, it is clear that continued Congressional engagement in specific aviation policies will also remain essential. To understand the importance of Congressional involvement in the industry's concerns, we can look to two recent, specific policy developments – one here in the U.S., and one with its origins overseas – that could have serious ramifications for our shared aviation community. In both cases, the active involvement by Congress has been of critical importance.

First, there is the matter of the FAA's recent announcement in November that the agency would soon begin subjecting pilots with a body mass index (BMI) of 40 or greater to obstructive sleep apnea (OSA) screening prior to receiving a medical certificate. It was later revealed that the agency would require pilots to bear the significant costs of getting tested for OSA (as much as $5,000, according to some sources), and obtaining the requisite equipment to treat the condition, if necessary.

NBAA and other industry groups were alarmed by the FAA's announcement, because there appears to be no causal link between OSA and flying accidents, and no clear indication that the additional screening requirement would improve aviation safety. Equally troubling, the vast majority of pilots have neither been provided an opportunity to learn of the FAA's plans, nor been given a mechanism for providing feedback on the proposal.

Mr. Chairman, the legislation you introduced with Ranking Member Larsen – H.R.3578 – will compel the FAA to consult with industry stakeholders through the established rulemaking process before issuing any requirement for pilots to undergo OSA screening. Furthermore, it will ensure that the FAA will conduct a fully transparent, data-driven justification for its proposal, which takes into account the full spectrum of costs, benefits and other important criteria before any OSA rule or regulation can take effect.

We appreciate the recent, prompt, bipartisan action by the full Transportation and Infrastructure Committee on this matter, and we look forward to working with you and your co-sponsors in obtaining prompt passage of the bill by the full House.

Another area in which the involvement of Congress has been critical is on the matter of the European Union Emissions Trading Scheme (EU-ETS), which continues to be a pressing concern for general aviation operators.

As you are aware, the EU-ETS is still applicable to business aviation flights between two European airports. While the EU implemented a "stop-the-clock" provision in the spring of this year, which suspended applicability for flights from foreign points into Europe, the internal operations are still being affected.

As NBAA has noted many times before, the EU-ETS raises a host of serious challenges for our industry. As just one consideration, the compliance procedure for the scheme puts a costly financial burden on U.S. business aviation; equally important, it raises security concerns, because U.S. companies must provide a huge amount of sensitive data, including bank account information, flight data, personal information and other disclosures—all of which would become available to the public.

Mr. Chairman, as you know, Congress took action on this issue last year, passing legislation that would give the U.S. Department of Transportation the authority to prohibit U.S.-based operators from participating in the EU-ETS. Again, the active engagement by Congress on pressing issues for our industry proved critical.

In the time since that legislation became law, the International Civil Aviation Organization (ICAO) met in a worldwide Assembly of member nations, which concluded with the advancement of a framework for international aviation emissions policies, which pivots away from the EU-ETS in key ways. Although far from perfect and certainly not everything we have worked for, it promotes an international dialogue that is focused on simple, more workable measures for addressing aircraft emissions – measures that can be built around various types and sizes of operators.

While the ICAO work will continue on the this issue, it is unclear if – when the EU's "stop-the-clock" policy expires in April 2014 – the applicability of EU-ETS will once again be expanded to flights entering Europe's airspace from foreign departure points, including the U.S. Therefore, we urge the Congress to remain engaged on this issue, and we thank you for your continuing support for the aviation community with regard to this matter.

Conclusion

In conclusion, Mr. Chairman, Ranking Member Larsen and members of the Subcommittee, we are grateful for the continued leadership you provide in working with the aviation community to foster a vibrant industry and a strong, world-class aviation-transportation system.

Thank your for the opportunity to appear here today. NBAA and the larger business aviation community look forward to working with you and other Congressional leaders on policies that support our nation's aviation system today, and ensure that it retains its world-leadership position in the future.

I would be pleased to respond to any questions or comments you may have.