

Aviation Financing Reauthorization Proposal

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Why Change Is Needed

- **Aviation excise taxes and FAA's current program authority expire September 30, 2007**
- Today's aviation system cannot handle today's volume & growing traffic, delays will get worse unless the system is transformed
- Current tax structure is not aligned with FAA's service costs
- Outdated regulations and airport grant funding formulas interfere with ability to meet national capital investment priorities for airports



NextGen Will Transform Aviation



- **Main Features of NextGen**
 - Performance Based: Enhanced Efficiency, Capacity and Safety
 - Adaptive & Scalable

- **The President's budget directly supports key NextGen transformational projects for the next 5 years**
 - Automatic Dependent Surveillance—Broadcast (ADS-B)
 - System-Wide Information Management (SWIM)
 - Required Navigation Performance (RNP)
 - Data Communications (Data Comm)
 - More timely & accurate weather forecasting

Key Reauthorization Themes

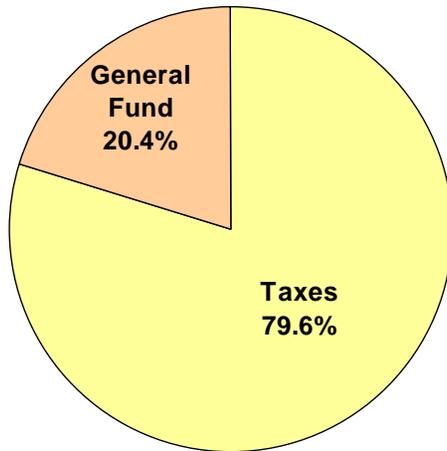
- **NextGen:** Jump-start transformation to the Next Generation System
- **Revenue Stability:** Generate predictable and sufficient funding stream
- **Fairness:** Align what users pay with the costs they impose
- **Stakeholder Involvement:** Consider feedback from and impact on those who use the system; user pays means user says
- **Efficiency:** Create incentives for efficient use of resources; provide users and taxpayers with more value for their money
- **Transparency:** Increase accountability for FAA and users

**All of these themes drive the need for
cost-based funding reform**

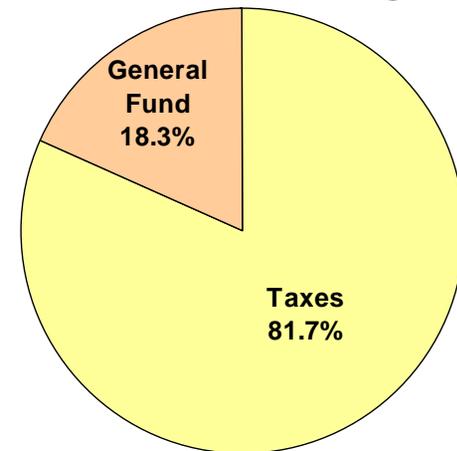
FAA Funding Sources

- FAA's projected funding under reauthorization is estimated to break down as follows, compared to FY05 and FY06:

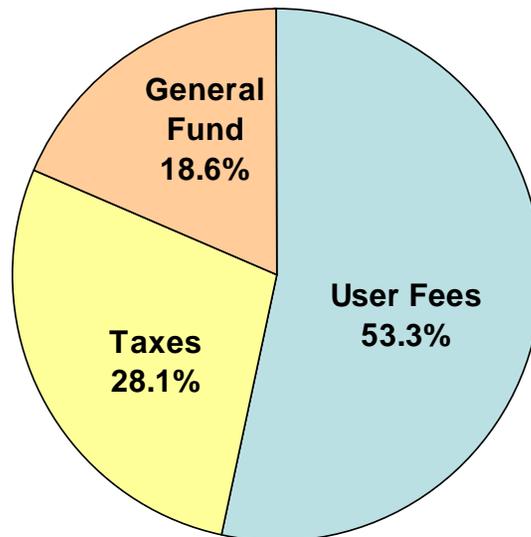
FY05 FAA Funding



FY06 FAA Funding



Reauthorization Proposal



Tax Rate Changes

Tax	Taxable Unit	2007 Rate	Proposed Rate	What It Pays For (Under Proposal)
Domestic Ticket Tax	Price of ticket	7.5%	Eliminated	
Frequent Flyer Tax	Value of miles purchased	7.5%	Eliminated	
Domestic Segment Tax	Per passenger per flight segment	\$3.40	Eliminated	
Int'l Arrival/Departure	Per passenger	\$15.10	\$6.39	AIP / RE&D
Alaska/Hawaii Arrival/Departure	Per passenger	\$7.50	Eliminated	
Cargo Shipments	Price paid for transportation by air	6.25%	Eliminated	
Commercial Jet Fuel	Per gallon	\$0.043	\$0.136	AIP / RE&D
General Aviation Jet Fuel	Per gallon	\$0.218	\$0.700	\$0.564 for air traffic; \$0.136 for AIP / RE&D
Aviation Gasoline	Per gallon	\$0.193	\$0.700	\$0.564 for air traffic; \$0.136 for AIP / RE&D

Eliminated taxes are replaced by en route and terminal user fees for commercial users' share of air traffic costs

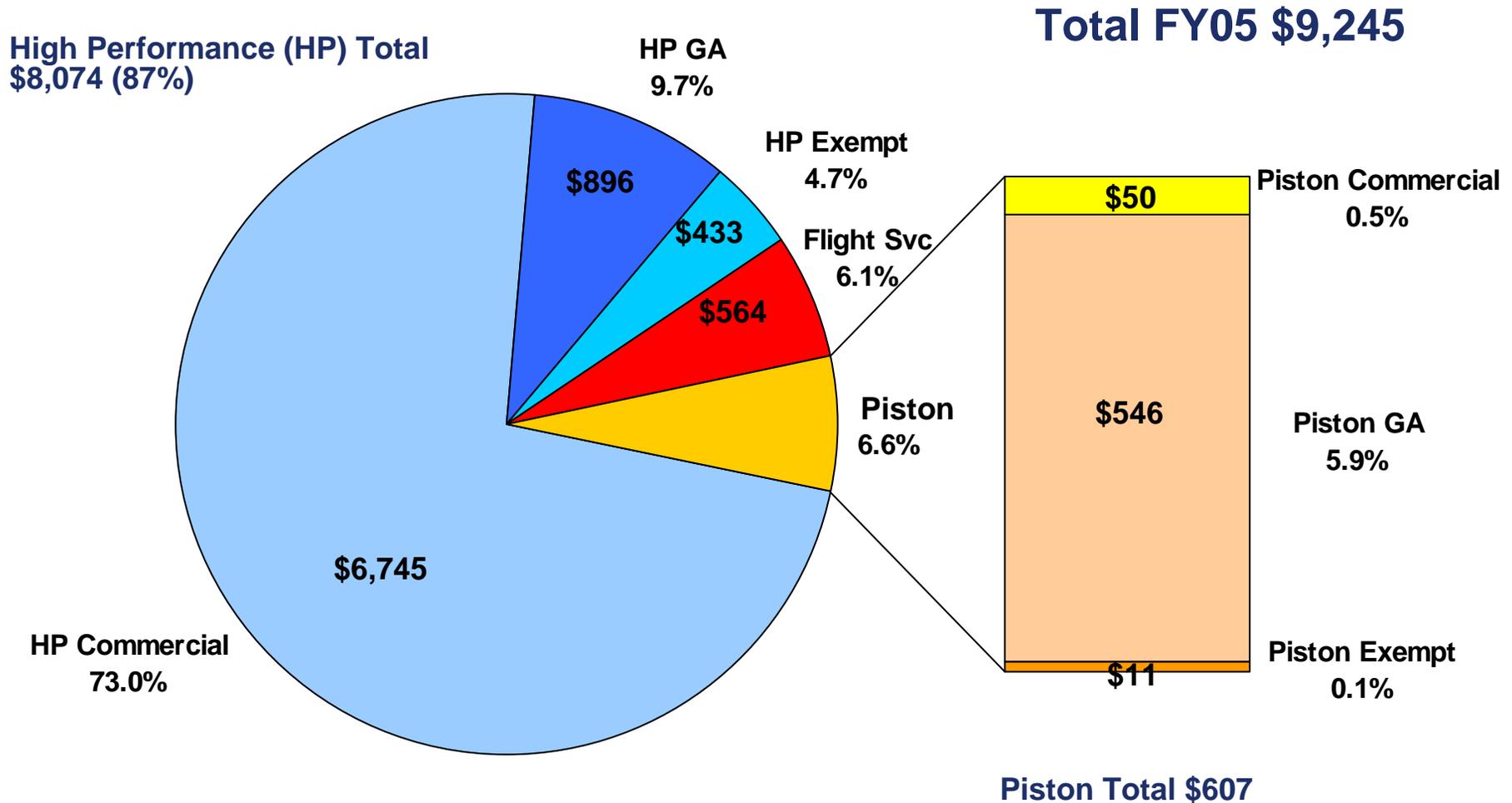


Cost Allocation Based on Cost Accounting System

- **Determined total costs of ATO services**
 - Includes capital and share of staff offices
- **Detailed & consistent**
 - Examined 600 accounting line items from cost accounting system
- **Primary distinction is between turbine & piston users**
 - How they use the system drives our cost—not the purpose of the flight
- **Much more than just averaging our costs**
 - GA does not bear the cost of the 30 largest hubs, except when they fly into these facilities
- **A “blip” is not just a “blip” everywhere**
 - A jet blip is different than a piston blip; Blip in Wyoming is different than a blip in New York



FY05 ATO Cost Allocation Results



FY05 \$ in millions



Other Legislative Provisions



- **AIP/PFC reform**
- **Environmental proposals**
- **War Risk Insurance**
- **Realignment and Consolidation of Facilities and Services**
- **Congestion pilot programs**
- **Airport Privatization Pilot Program**
- **NextGen Facilitation**
- **EAS and Other OST Provisions**

New Environmental Provisions

- **“CLEEN” Program**
 - Research Consortium for Lower Energy, Emissions and Noise Technology Partnership
- **Airport Cooperative Research Program**
- **Environmental Mitigation Demonstration Pilot Program**
- **Grant Eligibility for Assessment of Flight Procedures**
- **Airport Funding of Special Studies or Reviews**

What We Hear from The Airlines



- **Airport Capital Investments (AIP/PFC): Airlines subsidize small airports they don't use through AIP; PFCs are too high and they don't get enough say**
- **Preserve Small Community Service**
- **Approach Control: Costs Should Cover GA Transiting Terminal Airspace**
- **Governance / Cost Control: The airlines should have greater say**
- **Oppose Congestion Management Provisions**

What We Hear from GA



- The proposal forces GA to pay too much
- FAA's cost allocation assumes "a blip is a blip" & fails to account for airlines driving the costs through peak usage, while GA is only a marginal user
- The proposed tax increases will ruin general aviation in the United States
- The proposal could force GA to pay user fees for terminal airspace

What We Hear From GA



- **Administering the new user fee system will require a large new bureaucracy & billions of dollars in costs**
- **The current financing structure can pay for NextGen**
- **The proposal remove Congressional oversight**
- **The proposal is just a way to give giant airlines a major tax break that serves the wealthy**
- **User fees have been ineffective & damaged aviation wherever they have been implemented**
- **The proposal will destroy service to small communities**

Summary

- **Its all about.....NextGen, NextGen, NextGen**
- **Need a bill this year**
- **Users need to pay for the services they use**
- **Revenues should match costs**
- **Need transparency & accountability**

