

STATEMENT OF THE HONORABLE LANGHORNE M. BOND, FEDERAL AVIATION ADMINISTRATOR, BEFORE THE HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE, SUBCOMMITTEE ON AVIATION, CONCERNING AIRPORT AND AIRWAY LEGISLATION. SEPTEMBER 18, 1979.

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before you today to discuss the Administration's legislative proposal to provide for the continued safety and efficiency of our Nation's airport and airway system. We are experiencing a sustained high rate of growth in air transportation which is placing, and will continue to place, increasing demands upon our air transportation system. Many of our airports are already strained by present traffic levels but, for a variety of reasons, it is not a simple matter to expand the system to accept added growth.

Most components of our air transportation system are in place today, and we can expect few major changes in the structure of that system because of limitations imposed by such factors as environmental concerns, fuel availability, market decisions, and the saturation point for certain areas of terminal airspace. Accordingly, we are at the point today where we must concentrate our efforts toward maintaining safety and providing capacity improvements by continuing to refine the existing system.

Our legislative proposal accounts for the constraints we face and provides a sound basis for the Federal Government, states and localities, and the aviation community to meet the challenges of the future. We have worked long and hard to shape a proposal responsive to the needs of the present and future air transportation system. All along the way, we have sought to benefit from the views of all segments of the aviation community and the public sector. And we believe that we have benefitted greatly by the substantial input we received.

Mr. Chairman, before discussing in some detail the legislation pending before the Subcommittee, I would like to assure you of our intent to work closely with you to develop legislation that will serve best the needs of our air transportation system. Though we have proposed a sound legislative package, there are undoubtedly areas in which reasonable people may differ. We look forward to working with you on these issues.

Let me cover briefly some of the major features and rationales of our proposed legislation. First, with respect to funding, the legislation calls for an increase in the authorized level of funding for the Facilities and Equipment (F&E) appropriation, which is used for financing the capital costs of the airway system. It provides for a steady increase in the

program level for Research, Engineering, and Development (RE&D), and calls for increased program levels for airport development and planning grants, which would be consolidated into a single program. These funding levels are based upon system needs and what we can reasonably obligate in the respective fiscal years.

Our bill emphasizes improved system planning, as well as the development of critical reliever airports in large metropolitan areas. We have emphasized the provision of adequate navigation aids and airport facilities at points receiving scheduled commercial air service. We have sought to accommodate the environmental needs of the system by broadening the eligible uses of airport grants to encompass certain noise compatibility items and the planning of noise abatement actions.

The bill provides for greater state involvement through the administration of airport grants to smaller airports. To facilitate competition in air transportation, it contains provisions for keeping facilities available for use by air carriers on fair and reasonable terms without unjust discrimination. Last, it sets out a revenue structure for continuing the Airport and Airway Trust Fund, while providing for relief of the general taxpayer through greater use of the

Trust Fund to pay the costs of operating and maintaining the Nation's airway system.

I would like now to go into more detail on the major features of our proposed legislation. As I mentioned earlier, our proposal calls for higher funding of the Facilities and Equipment Program. This program finances the capital costs of the airway system and permits the acquisition, establishment, and improvement of radars, navigation aids, instrument landing systems and air traffic control facilities. The F&E Program is instrumental in providing safety and efficiency enhancements to our air transportation system.

Under the current F&E Program, the annual authorization is not less than \$250 million. Our proposal would increase the funding level to \$350 million for fiscal year 1981, and by \$35 million each subsequent year through the end of fiscal year 1985, accounting for a total of \$2.1 billion for F&E authorizations over the five years of our proposal. One key use of the F&E Program is to provide improved facilities at reliever and satellite airports to reduce the mix of general aviation and air carrier traffic at major air carrier airports. I have recently announced a major initiative with respect to such airports, and seeing such a program to a

successful conclusion is a high priority. Another important element of the F&E Program is an extensive effort to upgrade existing facilities by replacement of vacuum tube systems with solid state components. This will provide more reliable service and produce substantial maintenance and energy savings.

We are proposing a steady increase in the funding authorization for the FAA's Research, Engineering, and Development Program. Current RE&D funding of \$75 million would increase to \$90 million in fiscal year 1981, with an increase of \$5 million annually thereafter. This would provide \$500 million from 1981 through 1985, for pursuit of RE&D programs that will contribute to future safety and efficiency in the system.

When we visited with aviation officials throughout the country, many told us that the airport grant program was, on the whole, working well, and that the major change to the program should be increased funding. Our own analysis concluded that somewhat higher funding levels were, indeed, desirable. The airport grants levels we propose increase from \$700 million in fiscal year 1981 to \$900 million in fiscal year 1985, with a total funding level of \$4 billion over the five year life of the program. This level of funding is nearly as much as was authorized under the current program for the entire decade of the 1970's.

In determining funding requirements for F&E, RE&D, and airport grant programs for the period 1981 through 1985, anticipated aviation activity from the present through 1990 was used as the basis for analysis of the system. For certain critical issues (such as the requirements for the establishment of major new airports, the economic impacts of proposed aviation navigation systems, replacements of major components of the system, and development of new concepts of air traffic control) analyses were carried out through the year 2000 and, in some cases, beyond.

Aviation related forecasts through 1990 predict a substantial increase in aviation activity and supporting FAA services. For example, the air carrier industry is projected to experience a 73 percent increase in passenger enplanements while the commuter airlines are projected to experience an 89 percent increase in passenger enplanements between Fiscal Years 1978 and 1990. The general aviation fleet and hours flown by general aviation are expected to increase by more than 65 percent during the same period.

Instrument operations at airports with FAA traffic control services are forecast to increase 59 percent between Fiscal Years 1978 and 1990, while itinerant and local operations at

those airports are expected to increase 50 percent. FAA Air Route Traffic Control Centers are expected to handle 45.6 million Instrument Flight Rules (IFR) Operations during FY 1990, up 62 percent from 1978. Total flight services are forecast to experience the highest growth of the three major FAA air traffic areas, rising 91 percent.

Besides higher levels of funding for airport grants, our bill provides for a restructuring of the program to give greater emphasis to improved system planning and the development of new and expanded reliever airports in the larger metropolitan areas. A new apportionment category would be created to provide added funds for approximately 37 of the busiest "air traffic hubs", which would be known as "primary hubs". The funds could be used for development or planning projects at airports within the hub area, based on a hub system plan and associated "consolidated improvement plan" developed jointly by the local airports. This approach should result in increased local decision-making and, over time, should reduce the Federal administrative effort required. This new category will result in greatly increased Federal aid for new capacity at reliever airports.

At the state level, our proposal would allow those states with demonstrated capability to participate, on a voluntary basis,

in the administration of airport grants for smaller airports. Block grants would be issued to participating states for use at certain smaller airports within their boundaries. This would allow the states to take the lead in the allocation of airport project funds at the smaller airports and should assure a system more responsive to state and local needs. Any airport located within a state that has elected to participate in the management of the airport grant program would have the option of either being a part of the state's program or continuing to deal with the FAA on an individual project basis.

We have also dealt with the program management difficulty occasioned by the excessive number of small funding categories in the present program. Under the current program, there is an annual authorization of \$15 million each for reliever airports, commuter service airports and planning grants and a similar amount for a general aviation discretionary grant program. When these relatively small amounts are divided to meet needs across the country, they tend to be inadequate. The mandatory earmarking of "entitlement" funds, based on passenger enplanements, in annual amounts from about \$300,000 down to \$50,000 for approximately 300 of the smallest air carrier airports has also been relatively ineffective. These small annual amounts provided on a per airport basis, even when

accumulated for up to three years under the present program, are insufficient to accomplish most typical airport development projects. This leads to virtually automatic dependence on additional grants of discretionary funds and/or the possibility of marginally beneficial use of the "entitlement" funds. The proposed program consolidates these smaller categories, giving sponsors access to much larger funding pools to meet the highest priority needs.

The existing planning grant program will be consolidated into the new program structure, with planning being an eligible development item rather than a totally separate program. Planning needs, rather than being tied to a fixed amount each year--which has been inadequate in some years and more than needed in others--will be assessed on a case-by-case basis and will receive funding in accordance with actual needs.

One area which received considerable attention in the development of our proposal was the question of possible aid to privately-owned, public-use airports. The issue is controversial, and we found tremendous concern by all parties over how such assistance might be provided with adequate protection of the Federal investment. Our proposal provides a mechanism whereby Federal assistance may be provided, with

proper assurances, to privately-owned reliever airports as part of the block-grants issued to states participating in the block grant program discussed earlier.

When I appeared before this Subcommittee to testify against the noise bills, I expressed the view that legislation intended to help abate aviation noise should be considered during the legislative deliberations over new airport and airway legislation. As I stated at that time, we support added efforts to combat noise and are in general agreement with the noise program concepts contained in Title I of the proposed noise bill. In fact, though we are proposing a different approach than Title I, I feel comfortable in suggesting that the basic objectives of Title I will be met by the features contained in our proposal.

We have proposed the development of a single metric for aviation noise measurement. Also, our proposed legislation would permit the use of airport grants for the soundproofing of schools, hospitals, and public health facilities near airports and for the acquisition of noise monitoring equipment. Further, the legislation would

explicitly encourage planning to address noise problems and to develop specific abatement actions. I might note, Mr. Chairman, that local communities would be eligible under our bill to apply for funds for purposes of noise planning. The noise abatement features of our proposal will provide needed help in reducing the impact of aviation noise on airport neighbors.

In support of the Airline Deregulation Act of 1978, our proposal would require airports to be available for use on fair and reasonable terms and without unjust discrimination. For example, any air carrier refused access to an airport could file a complaint with the Secretary of Transportation. If the complainant could not obtain access through voluntary means, the Secretary would have standby authority in some circumstances to order remedial action, such as the modification of lease agreements between airports and carriers. The provision is designed to ensure that the requirements for open market entry and essential air service for small communities are not frustrated by the inability of new entrants to obtain access to airports.

One fact that airline deregulation has brought out is that airports are essentially monopolies. Environmental and other

social considerations effectively bar, in many cases, the creation of new airports. Therefore, with virtually unrestricted entry, the air carrier is left to deal with the local airport operator. Whereas before, local airport operators could regularly be found petitioning the CAB for new service, some major airports are now in a position where there is the strong incentive to be more selective in the access granted to those seeking new or expanded service.

Considering the tremendous surge in air transportation experienced as a result of the Airline Deregulation Act, we are concerned that the benefits of airline deregulation, and for that matter the spirit and intent of the Act, not be frustrated by artificial barriers to competition. We are particularly concerned that the major hubs remain open to receive "essential air service" to small communities. This will likely involve smaller carriers who may have less ability to gain access. For that reason, we believe it essential that provision be made in new airport and airway legislation to foster competition and market entry on fair and equitable terms and without unjust discrimination.

As you know, Mr. Chairman, the Airport and Airway Trust Fund has been accumulating a growing surplus of uncommitted funds, a

fact which has been widely criticized. There has been considerable debate over the merits of alternative approaches for reducing the surplus such as reducing taxes, raising program levels or expanding uses of Trust Fund revenues. Our proposal seeks to achieve a closer balancing of Trust Fund revenues and expenditures while steadily reducing the uncommitted balance without creating the need for future tax increases to avoid bankrupting the Fund.

The Administration's legislative proposal would seek to remove the financial imbalance within the Trust Fund through several means. First, the proposal would retain, with one modification, the existing aviation user taxes. Second, it would provide increased program levels for 1981 through 1985 for airport grants, F&E and RE&D. And third, the Trust Fund would be used increasingly, in place of general tax revenues, to fund the FAA's cost of operating and maintaining the airway system.

Although I recognize the Committee's jurisdictional considerations involved in the taxing aspects of this program, I nevertheless would like to briefly touch upon our tax proposals. Our proposal would move gradually toward greater overall cost recovery through a progressively higher level of

tax collections from general aviation and recovery from all users of an increasing portion of the FAA's costs of operating and maintaining the airway system. The increased cost recovery from general aviation would result from the imposition of a 6% excise tax on new aircraft and avionics sales and the conversion of the existing 7¢ per gallon tax on aviation fuel into a 10% "ad valorem" tax. The latter modification will increase tax collections as the price of fuel increases. This concept is analogous to the passenger ticket tax or freight waybill tax, both of which are based directly on a percentage of the cost of the service provided.

The reason for recommending increased taxes on general aviation is that it is the Administration's policy that users should pay a proportionate share of the costs of the Federal airport and airway system. Currently, aviation taxes collected from system users equate to nearly 60%, in the aggregate, of the costs allocable to civil aviation that are incurred by the FAA in equipping, operating, and maintaining the airport and airway system. The users of commercial air service are paying amounts equivalent to about 90% of the costs incurred by the FAA in their behalf, whereas the comparable figure for general aviation is in the range of 14 to 25%, depending on certain assumptions used in the allocation of costs. Enactment of

these proposed tax changes along with the proposed program authorizations would increase the level of recovery from general aviation to about 24 to 44%, again depending on certain allocation assumptions. Recovery from the users of commercial aviation would be in the 95% range. Though the general aviation users would still be paying a much lesser share of the FAA costs attributable to them than would the users of commercial air service, the gap would be much smaller and thus would represent more equitable treatment of all system users.

Let me quickly point out why we have shown a range of costs when talking about cost recovery. A range of cost contributions was used in our analysis since accurate identification of system costs associated with general aviation is difficult. In order to bracket these costs, we examined two methods of cost allocation. The first method assigned costs based on use of facilities by air carriers, general aviation, and the public interests. The second method assigned costs based on the minimum service requirements of the various users. This latter approach attempted to answer the common criticism that our current air navigation and traffic control system is designed primarily for the air carriers, and is far more than needed for general aviation. By using these two approaches, we believe we have bracketed the real costs associated with general aviation.

The second related piece of the cost recovery package addresses the question of who should pay for the costs of maintaining and operating the airway system. This proposal would enable a much greater portion of these maintenance and operation costs to be borne by those who most directly benefit from the system--essentially the air passengers. This would be done through the transfer each year of over \$1 billion from the Airport and Airway Trust Fund to the General Fund of the Treasury for a portion of the costs of maintaining and operating the airway system. The actual amounts authorized for transfer would be \$1.3 billion in fiscal year 1981, \$1.45 billion in fiscal year 1982, \$1.6 billion in fiscal year 1983, \$1.75 billion in fiscal year 1984, and \$1.9 billion in fiscal year 1985, for a five year total of \$8 billion. Assuming no major cuts in user taxes, these levels would maintain a reasonable, though smaller, surplus in the Trust Fund. The surplus would essentially phase out by 1990 without tax changes if spending levels were to continue at levels similar to those proposed through 1985 in our bill. Not only will this approach permit better use of the aviation tax dollars that are already being collected, but it will relieve the general taxpayer of a substantial financial burden for costs incurred by the FAA on behalf of the users of the aviation system.

In closing, Mr. Chairman, I want to again express the willingness of the Administration to work with you and the Members of the Subcommittee to help shape the best legislation possible. All of us share in the concern that we do the best we can today to deal with the air transportation system of the future. I am confident that the legislation which emerges will serve well the needs of the American travelling public.

That concludes my prepared statement. My associates and I will be pleased to respond to any questions you may have at this time.

