

STATEMENT OF J. LYNN HELMS, FEDERAL AVIATION ADMINISTRATOR,
BEFORE THE HOUSE WAYS AND MEANS COMMITTEE, CONCERNING AVIATION
USER TAXES. OCTOBER 14, 1981.

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to accompany Deputy Secretary Trent today to discuss the Administration's proposal for aviation user taxes.

The tax structure now in place to finance the needs of our airport and airway system fails to adequately meet the future needs of the system and imposes an inordinate burden on the general taxpayer. In fact, current user tax revenues now recover only about 37% of FAA's costs, leaving a substantial share of those costs to be borne by the general taxpayer. This is contrary to a primary goal of the Administration, general tax relief. We do not believe that the general taxpayer should have to bear such a disproportionate share of the cost of operating and maintaining the nation's airports and airways.

Our proposal seeks to correct that inequity by phasing in taxes which will ensure that aviation system users eventually pay their full share of the costs incurred by the FAA in equipping, operating, and maintaining the airport and airway system. The costs allocable to military and other government use of the

system are about 15% of FAA's total costs. Therefore, civil aviation is responsible for the remaining 85% of the FAA's total costs. Thus, the 37% of FAA's total costs currently collected from system users through aviation taxes amounts to 42%, in the aggregate, of the costs incurred by the FAA which are allocable to civil aviation. The users of commercial air service are paying amounts equivalent to about 60% of the costs incurred by the FAA on their behalf, while the comparable figure for general aviation is in the range of 5 to 15%.

We plan to attain our goal of full cost recovery from system users through a more balanced and equitable set of taxes. Our proposal includes a 6.5% ticket tax, a \$3 per passenger international departure tax, a 5% cargo waybill tax, a tube and tire tax, and a non-commercial aviation fuel tax. The remainder of FAA's costs, the 15% attributable to military and other government use of the system, would be financed from the General Fund.

To increase cost recovery from general aviation users, we are proposing a dual tax structure for noncommercial aviation gasoline and jet fuel with the tax level starting at 12¢ and 20¢/gallon, respectively, and gradually reaching 36¢/gallon for aviation gasoline and 65¢/gallon for jet fuel in FY 1986. We

estimate that the revenue from these tax levels will cover about 60% of the FAA costs allocable to general aviation by 1986. General aviation users would still be paying a much smaller share of the FAA costs attributable to them than would the users of commercial air service. However, not only would the difference be decreased, but our proposal would also result in more equitable treatment of all system users.

It is an established fact that general aviation places significant demands on the system. Recent events requiring the FAA to restrict flights to accommodate reduced system capacity have demonstrated this. One example of the costs which these demands produce is the \$250 million required to equip and operate our network of flight service stations in fiscal year 1981. The total amount of revenues collected from general aviation, including the commuters, was only about \$43 million for FY 1981. Thus G.A. revenues did not even account for one-fifth of the cost of the flight service stations, which are only one element of the services provided to general aviation users.

The demands of general aviation on the national airspace system will increase in the future, as the growth rate of general aviation continues to exceed substantially the growth rates of all other system users. Furthermore, general aviation planes

are becoming increasingly sophisticated and are making continually greater use of the facilities purchased with Trust Fund revenues. In particular, they are increasing usage of instrument facilities and flight plan services. As general aviation increases its utilization of our system, its contribution to the financing of the system should be increased, and we strongly support tax changes to accomplish that end. We must eliminate government subsidy of small segments of the population that are not in clear need of such subsidies if we are to achieve necessary reductions in general tax rates. Our collective responsibility is to all of the taxpayers not just the users of aviation facilities.

Of course, implementing the concept of users paying for system costs requires more than just collecting their fair share of costs from those users. The FAA must also be given the ability to spend those user-generated revenues on the activities needed to provide services to those users, that is, the operation and maintenance of the system. Therefore, our authorizing legislation provides that those expenses incurred in operating and maintaining a safe and efficient aviation system which are attributable to non-government users be covered by the Trust Fund. The companion revenue measures we propose would facilitate this. Capital needs and operating and maintenance expenses would be fully met by revenues derived from users and, as necessary to cover the government's use of the system, from

general revenues. Given the history of this issue, let me assure you that I am dedicated to a strong FAA capital equipment program. Both Secretary Lewis and I have testified before Congress on the need for a major revitalization of the air traffic control system. This is a top priority for us.

I want to emphasize that our proposal to increase Trust Fund financing of O&M is not a proposal to increase program levels. In fact, I am firmly committed to holding down unnecessary expenditures by the FAA. But the significant point is that necessary FAA operating costs will be incurred whether they are funded from the Trust Fund or from the General Fund. Moreover, O&M contributes directly to system safety since a navigational aid or facility must be operated and maintained if it is to do any good. The source of funding is not an issue when safety of passengers and integrity of the system is at stake.

The revenues generated by our proposed user taxes, in addition to the uncommitted balance in the Trust Fund, will be sufficient to meet the FAA's capital program needs as well as its O&M costs. The Trust Fund balance estimated over the next five years will be available for necessary improvements and modernization of the air traffic control system. Lower user taxes would simply not generate adequate revenues to support the program needs identified in the Administration's proposed authorizing legislation.

In closing, I want to reiterate what I believe to be the critical elements of the Administration's aviation user tax proposals. We believe that our proposals are justified in terms of meeting the needs of the aviation system. We have to assure that adequate revenues are available to shape our system to meet current and future traffic demands. I am absolutely committed to an upgrading and modernization of our air traffic control system. Air safety and our national economy, together with future commerce and employment, are highly dependent on it.

Equally important, these user tax proposals are an essential element of the President's overall program for economic recovery. We must seek greater equity in our aviation user taxes and relieve the unnecessary burdens that have been imposed on the general taxpayers. As the President stated, the users and beneficiaries of a service should bear the major costs of providing that service. The Administration's aviation user tax proposal is directed towards these vital objectives, and I urge you to respond positively to the President's plea to enact this legislation as an important part of his economic recovery plan.

Mr. Chairman, that completes my prepared statement. My associates and I will be pleased to respond to questions you and members of the Committee may have.