

Smart – And Fair – Skies: A Blueprint for the Future

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Hello. I'm delighted to be here. This is the second time that I've had the honor of addressing the International Aviation Club of Washington, D.C. In addition to the long history of our club, one of the beauties of this venue is the fact that it is open to and attracts people from all parts of the world of aviation.

Let me begin by recalling a bit of history that reminds us of our common heritage and – even more importantly – our common destiny. The year 2007 is notable for something other than the FAA reauthorization. It also marks the 80th anniversary of Charles Lindbergh's historic flight across the Atlantic. I would like to dwell for a moment on the multiple accomplishments of Charles Lindbergh in bridging the two worlds of general and commercial aviation.

Like most recreational pilots, Lindbergh flew for the sheer joy of flight. He once wrote: "I owned the world that hour as I rode over it . . . free of the earth, free of the mountains, free of the clouds, but how inseparably I was bound to them."

Lindbergh frankly admitted that he tackled the New York-to-Paris challenge out of a sheer love of adventure. He wanted to be the first. Beyond that, however, he was also powerfully motivated by another objective. As he said, he wanted to "establish aviation as a common means of transport." That is why he moved from circus stunt flying to airmail, before his historic flight. And that is why he went on a 48-state tour following his return – landing at 2 p.m. at 81 airports. Now, people might write off the transatlantic flight as nothing more than a daring adventure, like being the first to climb Mount Everest . . . but 2 p.m. at 81 airports . . . that was solid proof of his idea that aviation had arrived as a reliable means of transportation.

I'd like to quote a few words out of Lindbergh's book, "The Spirit of St. Louis." They show us how strongly he felt about having the right equipment and infrastructure in place, to turn what was eminently possible into a practical reality. This is Lindbergh in his own words:

"Businessmen think of aviation in terms of barnstorming, flying circuses, crashes, and high costs per flying hour. Somehow they must be made to understand the possibilities of flight. If they could see the real picture, it wouldn't be difficult to finance an airline between St. Louis and New York, even at the price of three Bellancas (*the most advanced new monoplane of the era*). Then commercial pilots wouldn't have to fly old

army warplanes and make night landings with flares instead of floodlights. If only I had the Bellanca, I'd show these businessmen what modern aircraft could do; I'd take them to New York in eight or nine hours. They'd see how swiftly and safely passengers could fly."

Lindbergh lived long enough to see the first American land on the moon. In fact, he and Neil Armstrong were close friends. There is a revealing quote from Armstrong in the Leonard Mosley biography of Lindbergh. As Armstrong and the other astronauts were going through various tests to prepare themselves for their trip to the moon, they were surprised to discover how much Lindbergh knew about space medicine. As Armstrong recalled – "He talked to us about things like air stresses, acceleration tolerance, Oxygen Paradox, as if the guy had spent hours in air pressure chambers himself Turns out he had, too. He knew more about some of the problems than the doctors did."

Everything I've told you indicates how passionately Lindbergh felt about using the latest and best technology to advance human flight in all its dimensions – from the exploration of space, to recreational flight, to the movement of people and goods.

Now let's imagine that Lindbergh had lived for another 30-plus years and were with us today. What would he think of our air transportation system? Well, even though we've advanced from bonfires to beacons, and from beaten-up old war planes to modern jets, there's one thing I think we can all agree on. Lindbergh – who was always so precise and meticulous in planning his own journeys – would be shocked and appalled at our lack of progress in some areas. More than three and a half decades after landing on the moon, it would strike him as very strange to see that we were still using WWII era ATC architecture and communications.

While it is true that system components have vastly improved over the past 60 years, Lindbergh would find it hard to imagine that we still rely on old technology that forces aircraft to fly inefficient, less direct routes, with unnecessarily inefficient separation requirements. That means more fuel and emissions, and wasted time and money for everyone – the military, business travelers, weekend flyers, and the airlines and their passengers. We're all paying the price.

So let me transition by telling you about *Smart Skies* – ATA's blueprint for modernizing and streamlining our air traffic control system, and finding a fair and equitable way of dividing the cost between users. Make no mistake: Fundamental reform in the way the current air traffic system operates is absolutely necessary, because the current system is nearing overload. Looking out over the next 10 years, the FAA's workload – according to its own numbers – is projected to rise 36 percent, from 45,100 flights per day to 61,400 flights per day. And that's even before completely factoring in the potential for an additional 20,000 VLJ flights. And don't take comfort in the thought that these VLJs won't be using major commercial airports, be warned that experts at MIT have concluded that 50 percent of future VLJ flights will begin or end in the same markets as those big commercial airports. That means that business aviation jets departing from

Teterboro, and commercial flights departing from Newark, will consume the same ATC resources. *The dilemma facing us concerns the air-space – not the air-ports.*

Now if Lindbergh – having awakened from a long snooze, like Rip Van Winkle – decided to visit different segments of the aviation community and find out who was lobbying for preservation of the antiquated and inefficient system that we now have, he would get a second surprise. Because everywhere he went, he would find genuine and even passionate agreement on the need for change – but unfortunately, surprisingly little progress.

If he went to the National Business Aviation Association, he would hear that the first of the NBAA's five guiding principles was "Modernize with Satellite Communications." What's more, he would hear that the second principle was "Invest in the National Air Transportation System."

If he went to the General Aviation Manufacturers Association, he would hear the exact same thing. And ditto with the National Air Transportation Association. Recently, those three organizations – NBAA, GAMA and NATA – joined together to enunciate those "principles" as their navigational beacons for aviation policy reform.

Lindbergh would also find that FAA Administrator Blakey is working hard to reform the FAA and accelerate the transition from a ground-based to a satellite-based system.

And if Lindberg came to the Air Transport Association – or to any of the leading airlines that we represent – he would find four-square, enthusiastic support for modernization and reform along the very same lines.

So why in the world are we having such a difficult time moving forward?

Well, to be frank, it has something to do with money – who pays and how we divvy up the cost between different users. It also has to do with group dynamics. To quote the writer Warren Bennis, "We all see and understand the need for change, and instinctively avoid it at all costs."

So, let's be smart about figuring out how to manage our resources and build a system that accommodates all users and transforms our current inefficient, constrained framework into a modern, top-notch air traffic control system. First, FAA needs to reduce current costs by consolidating unnecessary facilities, managing airspace system-wide, minimizing reliance on ground-based equipment, decommissioning obsolete equipment and procedures, and rationalizing the workforce. With a fourteen billion dollar budget, nearly 41,000 national airspace operational facilities, FAA-operated or contract towers at 489 airports, and over 45,000 employees, it isn't going to be easy. And while streamlining its operations, FAA must also retain responsibility for the inspection and certification of probably over 220,000 aircraft and 620,000 pilots.

Administrator Blakey's progressive, performance-based approach to management and Russ Chew's Air Traffic Organization, or ATO, are making headway, but it's going to be a long, hard fight. FAA needs to apply the valuable lessons it's learned from previous ATC system development efforts and rely on the invaluable expertise of aviation experts who know what works and what doesn't. I cannot emphasize enough how FAA is going to need the industry's full support as it tackles fundamental, systemic challenges. Even with our support, this transition is not going to happen overnight...so let's get moving.

Aligning the infrastructure and workforce around the workload will enable FAA to utilize all of its resources more productively. Inevitably politics will rear its ugly head, and there will be trade-offs that not everyone will like (including, undoubtedly, some ATA member carriers). Congress will not hesitate to insert itself into the political mix, particularly when program cuts and consolidations impact constituents back home. The recent congressional foray into the transition of the TRACON at Palm Beach to Miami International is a perfect example of what should not happen...but does. So FAA, Congress and industry need to work together to make unpopular decisions.

Let me turn now to one of the critical questions: How the collective "we" are going to pay for this transition? If the structural challenges I just described weren't tough enough, today FAA is forced to rely on an unstable revenue source for funding. Of course, the savings from FAA streamlining and smart-sizing should and could be used to fund the transition. In addition, *Smart Skies* supports bonding authorization for FAA to access financial markets and ensure maximum leverage for available financial resources. Since the U.S. economy depends on an air traffic system that can accommodate the needs of all users, *Smart Skies* also advocates significant General Fund contributions. But experience teaches us not to expect too much from this source.

The real kicker – the grease in the fire you've all been waiting for – is *Smart Skies'* funding approach. I think it's the sensible approach long advocated by multiple presidential commissions and leading economists, and now championed by both FAA and DOT and adopted by most of the major air traffic control providers in the world: user fees. This is an international solution to an international problem, and you're just the group to appreciate the significance of that statement.

For a moment, let's think about why user fees work and why major air traffic control providers, such as the United Kingdom, Canada, Germany, France and Australia and others have long used them to fund air traffic control. *User fees provide a stable revenue source*: those using the system pay for the services they use and the money is used to develop, maintain and enhance the system. Simple. Today Congress unquestionably controls FAA funding and priorities through the federal budget process. Although ticket, fuel and waybill taxes pass to the Aviation Trust Fund, and the general public "funds" the General Fund, the reality is that Congress has the final word.

Each year, Congress reduces the General Fund contribution, while demands on the Trust Fund increase. To be blunt, those who say the Trust Fund is healthy, wealthy and wise are ignoring the facts. They point to rising fare data and say, "crisis averted....." –

but that ignores the fact that fares are highly cyclical and ebb and flow from one month to the next. In a study last month, GAO found that the uncommitted Trust Fund balance declined from about \$7 billion at the end of 2001 to around \$2 billion at the end of 2005. GAO also found that if 2006 and 2007 revenues are below forecasted levels, the Trust Fund's uncommitted balance could, in one scenario, reach zero by 2007. That doesn't sound healthy, wealthy or wise to me.

Now opponents in business aviation talk as though user fees are some kind of a radical or untested concept – and one that was likely to victimize the so-called “little guy” – or the weekend flier. Ladies and gentlemen, that's totally wrong on both counts. In fact, user fees are in place in the most sophisticated ATC systems worldwide. They are a simpler as well as a fairer alternative to the current patchwork of ticket and flight taxes that are now used to fund ATC services.

In addition, as I hope everyone in this room knows, *Smart Skies* very clearly states that “Operators of piston-powered general aviation aircraft should continue to pay through their fuel tax mechanism.” ATA has joined with NBAA, GAMA and AOPA in agreeing on this exemption from user fees. That's only fair. Operators of piston-powered aircraft interact with the ATC system in a minimal way. Therefore, they *should* pay less, while those using en route, oceanic and terminal services should pay considerably more. There is no need to change the system as it affects small piston-powered aircraft. This is not rocket science or voodoo economics. Yes, I am aware that NAV CANADA is now imposing user fees on general aviation at seven airports – and quite simply, I think that's wrong.

Today, airlines use two-thirds of ATC services, but they pay over 90 percent of the costs of ATC. That means they paid \$9 billion in ATC costs last year. Let me say that again – they used over 60 percent and paid over 90 percent. Meanwhile, business aviation used 15 percent of ATC services, but paid just 4 percent.

And that's where we disagree with our aviation friends. ATA does not think that all general aviation – including million dollar jets operated by private companies and others in the aviation *business* – should continue to pay far less than what it costs the FAA to deliver them safely through the air space. Pure and simple, they are being subsidized.

Now some people might think a smaller jet exacts a smaller cost, but the simple fact is: The size of the jet is immaterial in the ATC context. A business jet poses the same kind of challenge in the maintenance of air safety as a commercial jet, and represents an equal cost burden in ATC services. Tracked on radar, or seen from a satellite, and then transferred to a computer screen, a blip is a blip is a blip. It's volume that drives system costs today and will drive it tomorrow even more. The ATO can tell you, staffing and volume are inextricably linked.

So where is any sense of fairness in the allocation of cost? Today a non-commercial Gulfstream Four flying from New York to Los Angeles contributes \$545 to the Trust Fund through fuel taxes. A commercial 767 making the same flight pays more than

\$3000, or almost \$2,500 dollars more, even though the Gulfstream and the 767 make use of the same ATC services. This is not fair. It's ridiculous....and it's a subsidy.

Since operators of small piston-powered general aviation are exempt from our user-fee proposal, the user-fee controversy really shouldn't be their fight. The reality is that business aviation – not mom and pop operators and weekend warriors – is fighting user fees in the U.S. because they see their free ride threatened. Before coming here today, I spent some time going through a Fact Book found at the NBAA Web site. Here are some revealing statistics culled from the NBAA 2004 Fact Book:

- “Among the Fortune 500, 376 companies operate business aircraft.”
- NBAA represents the interests of 7,600 companies that “own, operate or support more than 9,500 general aviation aircraft used as an aid to the conduct of business.”
- According to NBAA, “the number of companies operating business aircraft in the United States has grown more than 60 percent to 10,661 companies operating 15,879 aircraft in 2003,”

and I'm sure it's much more than that now. If I'm reading this correctly, according to NBAA in 2003 almost 16,000 business aircraft were operated in the U.S., or more than twice the number of aircraft in today's U.S. commercial fleet.

And finally, another fact from NBAA, approximately 70 percent of all hours flown by general aviation are for business and commercial purposes.

So who is the much advertised “little guy” who's at risk here? As I've already said, it's not the owner of some Piper Cub. Nobody's going after him or her. No, the supposed “little guy” in this tableau is none other than some of the biggest and profitable companies in the world – companies like Exxon Mobil, Anheuser-Busch and IBM, to name just three with representatives on the NBAA board.

Now it may interest you to know that Exxon Mobil is – far and away – the most profitable company in the world. Helped by the good luck (for it) of rising fuel prices, Exxon Mobil earned \$25 billion in 2004 and \$36 billion in 2005. Contrasting those profits to what has gone on in the airline industry, as it has adjusted to new market realities, the irony is less than subtle. The pain of massive layoffs, slashed wages, bankruptcies and the relentless drive for efficiency brought the airlines to the point last year where, but for the unprecedented run-up of fuel costs, it would have been profitable. As to 2006, time will tell.

So the idea that the airlines are forced to subsidize Lee Raymond and Exxon Mobil sticks in my craw more than just a little. When Raymond retired at the end of 2005 as Exxon's chairman and CEO, he also gained continued access to the company's corporate jets – to go on top of hundreds of millions in compensation over the past few

years. I have a hard time thinking of Lee Raymond as a “little guy” who needs and deserves subsidies from the airlines?

Here are the numbers that help to put that into perspective. As I told you, business aviation now consumes 15 percent of ATC. That is nearly equal to the load on the system by American and United combined. If all users were truly paying for the cost of the services they consume, you would expect these two segments to pay about the same in fees and taxes. Not true. In fiscal year 2004, American and United paid * \$2.5 billion toward the cost of ATC services, while business aviation pumped in a measly \$422 million. Hence the subsidy that goes from the airlines to business aviation – and the likes of Lee Raymond.

Sure, I understand why business aviation doesn't want to pay for ATC services. Who wants to pay “user fees” when you're getting subsidized? But it's time – past time – for the U.S. to implement a system that fairly charges users for of the services they consume.

In the long run, the transition to an efficient, sophisticated air traffic control and communications system will yield money-saving and productivity-boosting benefits for all of us, including business aviation. And I think it is in business aviation's best interests to join us in upgrading an ATC system that serves no one well. It's time for all of us who are serious about the continued growth and prosperity of our air transport system as a whole to join together.

Comedienne Lily Tomlin once said: “We are all in this alone.” Unfortunately, that comes fairly close to describing the attitude of different groups within the aviation community. But that is a destructive attitude and it is one of the reasons why the aviation industry as a whole has been slow on moving forward with modernization.

Let me close by reiterating the “bare bones” of my vision for FAA reauthorization and ATC modernization. I think you'll find that the aviation industry is in serious agreement as to what needs to be done: We need to adopt a sustainable, equitable funding mechanism; reduce the cost and increase the capacity and efficiency of the current system; and build one that accommodates all system users and growth. We need to think, as Lindbergh did, in the broadest of terms – of what is good for the future of aviation.

We all know what it is that we must do. Now we must work together to turn what is eminently possible and desperately needed into a practical reality from which we will all benefit. It is our turn now to deploy the latest and best technology to the advancement of flight in all of its dimensions.

We share a common heritage. Surely, our destiny is not to squander our inheritance, but to build upon it.

* Correction to \$1.53 billion figure as originally cited.