

*FAA Reauthorization Legislation*



Statement of the  
Air Transport Association of America, Inc. (ATA)  
before the  
Subcommittee on Aviation  
of the  
House Transportation and Infrastructure Committee

February 9, 2011



AIR TRANSPORT ASSOCIATION

The FAA reauthorization legislation is an exceptional opportunity to enable the airline industry to contribute even more fully to the U.S. economy and our nation's number-one priority today: creating jobs. To do so, airlines and their employees, as well as the customers and communities that they serve, need public policies that

- provide a long-term, stable environment in which our already-outstanding safety record keeps improving;
- assure that government-imposed taxes and fees on airlines and their customers are fair and do not continue to suppress growth;
- accelerate investment in and deployment of the next-generation air traffic management system; and
- promote the global competitiveness of U.S. airlines and, in turn, U.S. industry.

If the U.S. airline industry is to add jobs to our nation's workforce, these policies – which require both sound legislative and regulatory judgments – must become reality. We cannot allow ourselves to be distracted by exhausted arguments about reauthorization: assuring a strong, financially viable U.S. airline industry must be a clear, overriding goal of the legislation. The Department of Transportation's recently concluded Future of Aviation Advisory Committee showed that there is broad recognition throughout the aviation community of the need to have such a blueprint.

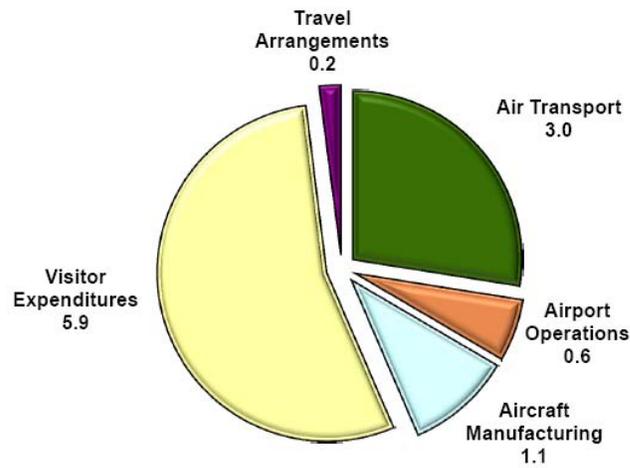
#### GOVERNMENT POLICY MUST ENABLE AIRLINES TO BE JOB CREATORS

Commercial aviation is a linchpin of the U.S. economy. According to the Federal Aviation Administration (FAA), it drives approximately \$1.2 trillion in annual economic activity in the United States and is responsible for 10.9 million U.S. jobs. This is roughly 5.2 percent of our Gross Domestic Product (GDP). Every \$1 million of commercial aviation activity generates 24.6 jobs.

The airline industry is an integral part of this picture. In 2009, the last full year for which data are available, airlines enplaned more than 700 million passengers and operated more than 10.4 million flights. Exports by air that year topped \$334 billion in value. This activity is a powerful creator of jobs throughout the economy. Every 100 airline jobs help support some 388 jobs outside of the airline industry.

## Commercial Aviation Drives Nearly 11 Million U.S. Jobs

U.S. Job Impact by Aviation Activity, In Millions



Source: Federal Aviation Administration, "The Economic Impact of Civil Aviation on the U.S. Economy," (December 2009)

The service that we provide is a bargain – and has been so literally for decades. Between 1978 and 2009, the consumer price index rose 229 percent while the price to fly a mile domestically rose only 42 percent. In contrast, during the same period, college tuition increased 788 percent, prescription drugs 535 percent and a single-family home 289 percent. Illustrating the consumer benefits to passengers in dollars and cents, Bureau of Transportation Statistics data indicate that a domestic round-trip ticket (airfare plus taxes) averaged \$339.71 in the third quarter of 2010. If we compare that price to a hypothetical domestic ticket in the second quarter of 1995, it is \$70.78 below the Consumer Price Index increase in that period (\$410.49 versus \$339.71). Consumer benefits are real and long-standing.

The magnitude of these contributions to our nation's well-being means that the airline industry must be counted as an indispensable sector as Congress and the administration consider ways to revitalize the economy. The industry's job- and wealth-creating potential needs to be realized through policies that are carefully focused on that potential. With the adoption of such policies, the industry can become an even greater driver of the economy.

Regulatory policies must also facilitate such an approach. Although not associated with the reauthorization legislation, the president's Jan. 18 executive order regarding improving regulations offers promise because it recognizes that the regulatory system "must take into account benefits and costs, both quantitative and qualitative." Executive Order 13563, 76 Fed. Reg. 3821 (Jan. 21, 2011). This principle must guide executive branch policy if the highly regulated airline industry is to expand and thereby facilitate job creation.

Several proposed Department of Transportation (DOT) rules would violate this principle. Two noteworthy examples of these ongoing rulemaking proceedings are:

- The FAA recently issued a proposed rule to completely rewrite pilot flight and duty time (FDT) regulations for flight crews. Air carriers have made specific proposals to change flight and duty time rules that would reduce pilot fatigue and increase scheduled rest opportunities. In contrast, in its proposal, the FAA failed to link specific regulatory changes to targeted improvements. It is

therefore unclear what benefit each proposal is meant to provide. Moreover, the regulation imposes a one-size-fits-all approach, which fails to account for the different business models of cargo and passenger carriers, ignores many of the Aviation Rulemaking Committee recommendations and fails to meet the cost-benefit requirement. Despite these shortcomings, we hope that a more sensible outcome can be achieved.

- In 2009, the FAA proposed to rewrite completely training regulations for pilots, flight attendants, flight engineers and dispatchers. Continuous improvement, rather than unnecessary and disruptive regulation, has consistently advanced training and safety for the airlines. Airlines do not object to data-driven proposals that directly relate to and target very specific concerns. Unfortunately, the FAA did not demonstrate in the proposal how these very costly and disruptive proposed changes would actually improve safety and prevent accidents. ATA estimates the cost of the FAA training regulation rewrite to be at least \$3.3 billion over ten years. Thus, this proposal contradicts the executive order's admonition that "benefits and costs, both quantitative and qualitative" must be taken into account in any rulemaking.

As legislative and regulatory policies are formulated, the unprecedented adversity that the U.S. airline industry experienced in the last decade must be kept in mind. Among the events that the industry experienced were 9/11; airline bankruptcies and subsequent restructurings; volatile and rising fuel costs – jet-fuel prices today are 4.5 times higher than their 1991-2000 average; the most severe economic downturn since the Great Depression; and worsening operational and air-travel experiences because of the increasingly obsolescent air traffic control system.

The results were devastating. The airline industry suffered an estimated \$54 billion cumulative loss between 2001 and 2010. That hardship forced a painful, far-reaching streamlining of the U.S. airline industry. More than 160,000 full-time-equivalent jobs in the airline industry were lost in that period.

The U.S. airline industry's plight in the last decade is also evidenced by a precipitous drop in its share of GDP. From 1991 to 2000, domestic passenger revenue averaged 0.728 percent of GDP. In 2010, that proportion shrank to an estimated 0.497 percent. That decline translates into \$34 billion in "lost" revenue.

This is not where we should be; no one should be comfortable with this situation. The airline industry is indispensable to the health and competitiveness of our nation's economy. Governmental policies must foster an environment that spurs growth in our sector of the economy if the wellbeing of the broader economy is to be revitalized.

And even in the face of this unprecedented adversity, DOT data reveal a steady improvement in customer service over the past decade.



## DOT Airline Customer Service Metrics

	2000	2007	2008	2009	1Q-3Q10
<b>Flight Cancellations</b> (as % of sched. domestic departures)	3.30	2.16	1.96	1.39	1.75
<b>Taxi-Out* Times &gt; Three Hours</b> (per 10,000 domestic departures)	2.92	2.22	1.76	1.40**	0.25**
<b>On-Time Arrival Rate</b> (% of domestic flights within 00:15)	72.6	73.4	76.0	79.5	79.8
<b>Involuntary Denied Boardings</b> (per 10,000 passengers)	1.04	1.12	1.11	1.19	1.19
<b>Mishandled Bags</b> (per 1,000 domestic passengers)	5.29	7.05	5.26	3.91	3.59
<b>Customer Complaints</b> (per 100,000 systemwide passengers)	2.98	1.38	1.13	0.97	1.30

\* Time elapsed between departure from the origin airport gate and wheels off

\*\* Effective October 2008. BTS monthly reports on tarmac times included, for the first time, data from flights which were subsequently cancelled, diverted, and/or had multiple gate departures (see [http://www.bts.gov/help/about\\_tarmac.html](http://www.bts.gov/help/about_tarmac.html))

Sources: Bureau of Transportation Statistics and DOT Air Travel Consumer Report (<http://airconsumer.dot.gov/reports/index.htm>)

Despite the hardships of the last decade, airlines have continued to invest in more fuel-efficient equipment and operations, thereby ameliorating the effects of rising fuel prices, and demonstrating their long-standing commitment to environmentally responsible operations. Over the past three decades, for example, combined passenger and cargo airline fuel efficiency (as measured in revenue ton miles per gallon) has more than doubled. To place this in broader perspective, airlines domestically produce 5 percent of economic activity but only 2 percent of man-made greenhouse gas emissions.

### NEXTGEN WILL PROVIDE THE 21<sup>ST</sup> CENTURY ATC SYSTEM WE NEED

There is widespread agreement that the existing air traffic control system cannot provide the capacity and efficiency needed to meet the public's demand for convenient air transportation. This is underscored by a recently released, FAA-commissioned study that estimated that flight delays in 2007 cost passengers, airlines and the economy \$31 billion. More than half of that figure is attributable to costs to passengers. This is intolerable but it is only a foretaste of what continued reliance on an antiquated Air Traffic Control (ATC) system will exact. NextGen is the solution to this predicament. We must accelerate the introduction of this new system in order to unlock the benefits to our nation and the economy.

NextGen, which will employ a number of new technologies in a satellite-based air traffic management system coupled with new operating policies and procedures that take advantage of these technologies, will provide tremendous improvements over the current system and will benefit all system users, the public in general and the U.S. economy. Benefits include improved operational efficiency, reduced fuel consumption and emissions, and lower operating costs for airlines. NextGen will respond to several critical needs:

- **Efficiency and Productivity.** NextGen will enable more efficient flying. The current system is inefficient in producing capacity. Today's ground radar system requires planes to fly over specific points on the ground to maintain radar and communications contact. Navigational aids, radar and controllers are all terrestrial. They are linked to form a complex network system that supports

airways, through which aircraft fly. Today's system also requires significant spacing to accommodate the time it takes for radar to detect objects. These characteristics are a recipe for inefficiency. Equally significant, today's ATC system cannot take full advantage of available technology or integrate and fully exploit emerging technology.

In contrast to today's ATC system, NextGen will enable optimized, direct routings between airports; reduced aircraft spacing; continuous descent arrivals; precise arrival and departure routings (known as RNAV and RNP procedures); and closely spaced approaches on parallel runways in instrument flight conditions.

These enhancements will significantly increase productivity, both in utilization of assets and personnel. That, in turn, will reduce operating costs, which will enable those savings to be plowed back into wages and benefits, as well as operating capital. In addition, airline customers should benefit from reduced and more reliable traveling and shipping times.

- **Environmental Benefits.** More efficient operations also will use less fuel, increasing aircraft fuel efficiency and reducing greenhouse gas and other emissions. Full implementation of NextGen is projected to reduce emissions by as much as 12 percent. Early implementation of certain NextGen elements and other airline initiatives are providing some benefits already, but full implementation is needed. Improved fuel efficiency also will reduce operating costs and contribute to improved financial conditions that, like the productivity improvements discussed above, will benefit the public and employees and the airlines in a better position to continue to invest in new aircraft, alternative fuels and other operational improvements that bring environmental improvements.
- **Capacity.** The current ATC system is saturated in some areas and, therefore, in some locations, cannot provide the capacity to meet the public's demand for convenient, safe air transportation. This inhibits competition and industry growth today; this situation will worsen if not corrected. It also is the source of unnecessary congestion and delays that can quickly cascade through the system. NextGen will enable more precise spacing of aircraft and flight paths, which will allow the FAA to handle safely and efficiently the traffic growth that it forecasts.
- **Operational Integrity and Customer Satisfaction.** Closely linked to capacity, efficiency and productivity is operational integrity. By expanding capacity and enabling more efficient operations, NextGen will enable better on-time performance and improved customer satisfaction. Today's outdated ATC system contributes to delays and disruptions that will be reduced when NextGen is implemented. With improved operational integrity comes fewer delays, fewer missed connections, fewer misplaced checked bags and more satisfied customers.
- **Safety.** NextGen's satellite-based system will look and act much like a network to which aircraft and ATC are interconnected. It will provide more precise information to both controllers and pilots about aircraft locations, both in the air and on the ground, and will enable aircraft to constantly know one another's locations. This locational awareness and corresponding digital communications capability will provide critical real-time-flight status information typically not available today.
- **Scalability.** NextGen will be considerably more nimble than today's land-based facility and labor-intensive system. Accordingly, it will be much easier for the FAA to scale the system to meet demand from all aviation sectors, whether that demand is a steady growth curve or fluctuates from time to time. Automation and digital data communications will make it easier for the FAA to adjust the system as needed.

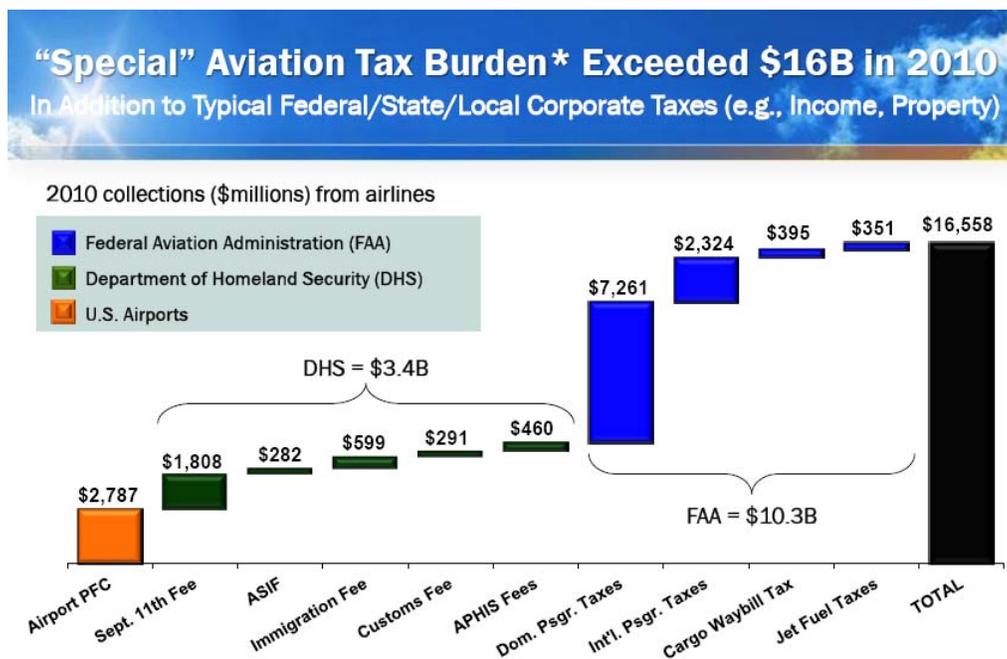
Reauthorization legislation that accelerates the delivery of satellite-based air traffic control services will improve the air traveler’s experience and make air travel safer. It is indispensable if we are to avoid system gridlock and meet the expanding demands of passengers and shippers.

As compelling as the promise of these benefits is, system users must be presented with a complete business plan for NextGen that correlates its benefits and costs. The stakes are high. Implementation of NextGen will demand enormous resources. This means that the program must have meaningful performance metrics. Specific and measurable outcomes must be identified and achieved. Accountability must be a key principle because the program must deliver results that transform the ATC system. Incrementalism is unacceptable.

### TODAY’S AVIATION TAXES AND FEES SUPPRESS GROWTH

The current tax burden on airlines and their customers is thwarting economic growth. It is a jobs killer. This situation is unacceptable.

The tax burden on a typical \$300 domestic round-trip ticket has nearly tripled since 1972 from \$22 to \$61 today. The number of taxes and fees that U.S. airlines and their customers pay has also nearly tripled from 1990 to 2011. The result of this unchecked proliferation is breathtaking. The total amount of government-imposed taxes and fees paid has multiplied from \$3.7 billion to more than \$16 billion annually.



\* Federally levied/approved commercial aviation taxes/fees only; some taxes/fees shown include collections from non-U.S. carriers; PFCs reflect FAA estimate as of Nov. 2010 Sources: Department of Homeland Security, FAA, Office of Management Budget, Transportation Security Administration, ATA

Raising the cost of air travel in this way has had the predictable harmful effects. First, this regressive tax policy is a drag on airline profitability and competitiveness. Second, it makes air services more expensive for those who rely on them: fewer business trips are taken, tourism suffers and shipping manufactured goods by air is more expensive. This was bad policy in the 20<sup>th</sup> century; allowing it to persist into the 21<sup>st</sup> century is baffling. Government today should be encouraging the use of air transportation because of its speed, efficiency and ability to generate jobs, not repeatedly weighing it down. New taxes on our already-overburdened industry must be rejected.

## COMPETITION MUST BE ENHANCED IN INTERNATIONAL MARKETS

Enhancing the competitiveness of the U.S. airline industry throughout the world must be a key element in this initiative. More than ever, aviation is a global industry with tough, unrelenting competition. The days of “chosen instrument” airlines and the off-handed assumption of U.S. preeminence in international markets are long gone. Nostalgia is no match for our foreign-flag competitors, which strengthen themselves around the world and fly daily to our hubs.

What remains true, however, is the importance of international markets to the success of our industry. Indeed, it is truer than ever. Much of the U.S. airline industry’s growth in recent years has occurred in international markets, often as a result of open-skies agreements that the U.S. government has negotiated. Substantial opportunities for growth remain, and we want to pursue them.

This means that reauthorization legislation should assure that these open-skies efforts proceed unabated. This focus is particularly important with respect to high-volume markets that remain subject to restrictive, old-style bilateral air-services agreements. Emerging markets should be the beneficiaries of modern aviation agreements – and we are prepared to compete in those markets.

Similarly, antitrust immunity for airline alliances must remain undisturbed and must continue to be available for new collaborative ventures. Today’s alliances reflect the reality of limitations on the cross-border flow of capital. They enable the leveraging of U.S. and foreign airline networks to create benefits for the traveling and shipping public that, without immunity, could never occur. Immunized alliances, it should be remembered, require the DOT to find that they are in the public interest; they obviously are. Alliances produce expanded and highly integrated online service opportunities for passengers and shippers. This, in turn, fosters interalliance competition that provides more price and service options for the customer. For the airline, alliance membership strengthens its ability to compete, permits more efficient asset deployment and improves financial performance. Each of these results is indisputably in the public interest.

Aircraft maintenance is an often-overlooked example of the ongoing globalization of aviation. Maintenance facilities with highly skilled workers are available around the world, as well as in the United States.

Safety is our top priority in selecting such facilities. Maintenance at those facilities is subject to FAA and foreign regulatory oversight. The result, as the data show, is that our use of overseas maintenance facilities is extraordinarily safe. No ATA-member passenger fatality attributable to contract maintenance has occurred in more than three decades.

Restrictions on U.S. airlines’ use of foreign maintenance facilities must be avoided for efficiency and operational reasons. For some aircraft, U.S. facilities do not have the capacity to meet demand. Furthermore, with U.S.-registered aircraft operating throughout the world, the ability to have maintenance performed at qualified overseas locations is crucial.

We also must recognize that legislatively restricting U.S. airline use of overseas maintenance facilities could trigger retaliatory action by foreign governments, which have shown considerable sensitivity about this issue. U.S. maintenance facilities work on both U.S.-registered and foreign-registered commercial and general aviation aircraft. Foreign retaliation against U.S. restrictions would jeopardize the some 200,000 employees of U.S. facilities, many of whom work on foreign aircraft.

## AIR TRAFFIC CONTROL AND AIRPORT FUNDING PROGRAMS MUST BE FAIRLY FUNDED

U.S. airlines and their customers are unfairly subsidizing other users of the National Airspace System. This is government policy that unjustifiably distorts what should be a straightforward calculation – cost allocation – and, in so doing, financially disadvantages airlines and their customers.

Users fund the air traffic control system through fees and taxes. This funding mechanism has remained static since its creation even though system use has changed over time. As a result, the share that each user group pays does not correlate with its use of ATC services. For example, according to an FAA study, commercial aviation is estimated to drive 66 percent of air traffic control services but contributes more than 90 percent of the Airport and Airway Trust Fund revenues. The funding structure needs to be revised to reflect current use of the ATC system. Fairness and efficiency require no less.

Similarly, the Airport Improvement Program (AIP) has increasingly paid for projects that have no connection to commercial aviation. The top 66 U.S. airports account for nearly 90 percent of passenger enplanements but receive roughly only one-third of AIP funding. As the deficit commission stated in December, “The first place to look for savings must be wasteful spending, including subsidies that are poorly targeted or create perverse incentives....” The National Commission on Fiscal Responsibility and Reform, “The Moment of Truth” at 44 (December 2010). The AIP warrants such corrective action.

Finally, the passenger facility fee should not be increased from its current \$4.50. Passenger Facility Charges (PFCs) are a direct tax on passengers and, like other taxes, increase the cost of air travel and reduce consumption of it. Moreover, no evidence indicates that necessary airport projects will go unfunded without an increase in the PFC. The FAA has approved virtually every PFC application since the inception of the program; consequently, there can be no concern that PFCs will not remain a viable funding source. In addition, although the credit markets have tightened over the last several years, airports enjoy high credit ratings – significantly higher on average than airline ratings – and have historically had access to those markets for critical projects.

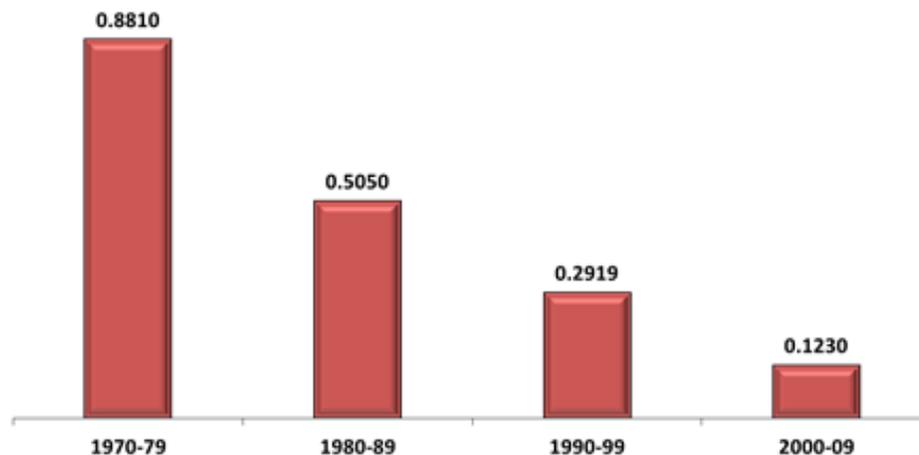
## SAFETY IS *JOB ONE* FOR THE NATION’S AIRLINES

While the foregoing issues are of great importance, safety is the foundation on which our industry was built and remains our number-one priority. That is a shared commitment and we work closely with other members of the aviation community to achieve it. Together with the Federal Aviation Administration, the National Transportation Safety Board, manufacturers, labor unions and other interested parties, we have achieved an extraordinary safety record. That record has continuously improved for decades, as the chart below shows. This impressive accomplishment, however, does not mean that we are satisfied. Improving safety is work that is never done – America’s airlines are committed to making the safest transportation system in the world even safer.

Commercial aviation has built this record through a disciplined and analytical approach. That methodical scrutiny includes benefiting from both experience and from a forward-looking search to identify emerging issues. The Commercial Aviation Safety Team (CAST), for example, brings together stakeholders to improve safety performance by applying data-driven analyses to flag issues before accidents occur, and to establish safety priorities. Increasing reliance on two industry-led safety programs, the Aviation Safety Action Program (ASAP), which encourages voluntary reporting of safety issues and events that come to the attention of employees of certain certificate holders, and the Flight Operational Quality Assurance (FOQA) program, which involves the collection and analysis of data recorded during flight, have also

added greatly to our knowledge. This empirical approach, coupled with the expertise and commitment of our front-line employees, provides the underpinning for industrywide safety efforts.

Participation in these programs underscores that the efforts of ATA members go well beyond compliance with governmental regulatory directives. This willingness to exceed minimum requirements is often overlooked. It is tightly woven into the safety culture of our members.



Source: ATA analysis of data from the National Transportation Safety Board

## CONCLUSION

We are at a critical juncture in the relationship between the airline industry and the larger economy. The industry suffers from tax policies and an outmoded air traffic control system that harm airlines and their customers. The economy suffers from what has emerged as a chronic inability to produce jobs on the scale that our society needs. Airlines have the ability to generate jobs, both within the industry and throughout the economy. We ask that reauthorization lay down policies that not only improve the safety of air travel but also enable us to be an engine of job growth.



**Nicholas E. Calio**

*President and CEO  
Air Transport Association*

Nicholas E. Calio is president and chief executive officer of the Air Transport Association (ATA), the nation's oldest and largest airline trade association. Mr. Calio became the association's chief executive in January 2011.

Prior to joining ATA, Mr. Calio was Citigroup's executive vice president for global government affairs. He was responsible for the company's government affairs globally, including U.S. federal government relations, U.S. state government relations and international government relations. He was also a member of Citigroup's Senior Leadership Committee.

Before joining Citigroup, Mr. Calio served President George W. Bush as assistant to the president for legislative affairs from January 2001 to January 2003. As the president's principal liaison to Congress, Mr. Calio worked closely with the leadership and members of the U.S. Senate and House of Representatives, and had the primary responsibility for formulating and implementing White House strategy on all legislative issues. He held the same position during the administration of President George H.W. Bush.

The New York Times once described him as a "forceful broker...not only between the White House and Congress, but also among Cabinet officials...: later "credit[ed] him with a major role in the biggest White House legislative victories on Capitol Hill, among them the resolution authorizing use of force against Iraq, the creation of the Homeland Security Department, an education bill and a major tax cut." Congressional Quarterly reported that "lawmakers of both parties also say Calio's forceful approach ...helped Bush put together a string of triumphs on Capitol Hill," while Roll Call stated that "...he has a reputation as a prodigious lobbyist and one of Capitol Hill's best vote counters."

Prior to joining the Bush administration, Mr. Calio was a partner at O'Brien\*Calio, a law and lobbying firm he co-founded in 1993. A 1998 Fortune magazine survey of Members of Congress, congressional staff, administration staff, and Washington lobbyists rated the firm as one of "the ten most powerful" in Washington. Mr. Calio started the firm after leaving the first Bush administration.

Mr. Calio has had substantial experience serving business interests in legislative and legal matters throughout his career. He also has been vice president of The Duberstein Group, Inc., a legislative consulting firm and senior vice president of the National Association of Wholesaler-Distributors, a major business trade association. Prior to that, he practiced law with the firm of Santarelli and Gimer.

Mr. Calio is a graduate of Ohio Wesleyan University and Case Western Reserve University School of Law. He has been active in the last eight presidential campaigns.

He serves on the board of directors of Bryce Harlow Foundation and the First Tee of Washington, D.C.

**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE**  
*Truth in Testimony Disclosure*

Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

(1) Name:  
*Nicholas E. Calio*

(2) Other than yourself, name of entity you are representing:  
*Air Transport Association*

(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?  
 YES      If yes, please provide the information requested below and attach your curriculum vitae.  
  
NO

(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:  
  
*N/A*

*Nicholas E Calio*  
\_\_\_\_\_  
Signature

*2/2/11*  
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Date