COMMITTEE ON FINANCE **Max Baucus, Chairman**

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Markup Statement of Senator Max Baucus (D-Mont.)
Regarding Peru Trade Agreement, Airways, and Conservation Act

The Committee meets today to consider three items: The U.S.-Peru Trade Promotion Agreement, an original bill entitled "The American Infrastructure Investment and Improvement Act," and an original bill entitled "The Habitat and Land Conservation Act 2007."

With the U.S.-Peru Trade Promotion Agreement, Congress can turn a new page on trade.

The Committee considered an earlier version of the agreement in July of last year. The Committee ultimately approved that version. But it did so by a closely-divided vote.

We have worked since then to build support. We worked with the administration to address the issues that troubled many Senators last year. And we succeeded.

The revised agreement includes historic new labor and environmental provisions. For the first time in any free trade agreement, the Peru agreement requires the parties to implement the five core International Labor Organization standards. And for the first time in any free trade agreement, the Peru agreement requires the parties to implement key environmental treaties.

And since last year, the United States and Peru also concluded a new side letter on beef. Peru pledged to open its market to American beef products, regardless of the age of the cattle. And it has since done so. American beef is now flowing freely into Peru. Peru's actions serve as a model for those countries — like Korea — that still retain unacceptable and non-science-based restrictions on American beef exports.

We have, in short, fully addressed the issues that most concerned Committee Members last year. I urge my Colleagues to approve this draft bill.

Today, we'll also consider legislation on transportation trust funds. Today's Chairman's mark will reauthorize the Airport and Airway Trust Fund. And today's mark will also restore the Highway Trust Fund.

Thirty-seven years ago, Congress enacted the series of taxes that comprise the Airport and Airway Trust Fund — also known as the Aviation Trust Fund.

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The Aviation Trust Fund collects taxes on planes, passengers, and parcels. And the Trust Fund finances the bulk of our aviation system's infrastructure and operating costs.

Much has changed in aviation over the last 37 years. In 1970, about 170 million passengers took to the skies. This year, nearly 770 million will.

In 1970, an arm of the federal government set air fares. Today, markets do. In 1970, there were a small number of private jets. Now there are 11,000.

But one thing has not changed: Air passengers are still frustrated. Consider the following headlines: "Air Travel System Flirts With Gridlock." and "FAA Head Predicts Summer Air Jam." One headline is from 1968. The other is from this year.

And that's what we're here to address. The mark before us today will add $400 million in new revenue per year. With this, the Committee will provide four years of funding necessary to finance NextGen, the new satellite-based air traffic system. In future years, we will need substantially more. And the mark would protect the funds that it raises for NextGen by dedicating them in a subaccount solely for NextGen.

Pretty much everyone agrees that we need NextGen to manage the growing demands on our aviation system. NextGen will improve passenger safety. It will provide pilots and controllers with a better view of the traffic near them. NextGen will boost fuel efficiency. It will reduce the amount of time that planes have to circle before landing. And NextGen will reduce flight delays. It will allow planes to fly closer together in congested hub areas. Flight delays cost Americans about nine and a half billion dollars a year.

So who should pay for all this?

We're all aware of the controversy surrounding the share of taxes paid into the Trust Fund by commercial and general aviation. With the rapid growth of private, corporate jet travel, commercial carriers argue that general aviation is not paying its fair share.

General aviation counters that the system was built primarily for the airlines, and should thus be largely financed by them.

This Committee has heard both arguments — made vigorously — over the last several months. Through meetings with everyone involved, gatherings among Committee Members, and three public hearings, we've heard impassioned debate on this issue.

The Chairman's mark heeds both sides' arguments.

First, the mark more than doubles general aviation's contribution to the Aviation Trust Fund. The mark would set the general aviation jet fuel tax at 36 cents per gallon. That's up from the current rate of 21.8 cents.

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Second, the mark also makes changes to the taxation of “fractional” aircraft. Those are general aviation airplanes with shared ownership, often used in the corporate sector.

Taken together, these two changes will provide about $280 million a year. That’s about 70 percent of the funds needed to pay for NextGen. And that’s in addition to what general aviation is already paying. The mark would increase by 80 percent the share of Trust Fund taxes borne by general aviation.

The remaining portion of the investment in NextGen will come from the commercial sector, through two changes: First, the mark closes a loophole that currently allows fuel to be tax-exempt on some domestic flights. Second, the mark increases the international departure and arrival tax from $15.10 to $16.50. That’s an increase of $2.80 for a round-trip international flight — less than the cost of a Big Mac.

Now, the major commercial airlines have proposed an alternate. The Trust Fund currently receives about half of its funding from a seven and a half percent ticket tax. The airlines would change that to a system based partly on mileage.

Structured appropriately, a mileage-based model could provide a fairer means of measuring use of the aviation system. I will continue to work with the airlines to develop this proposal.

But it’s important to proceed with this reauthorization. The Trust Fund’s expires in just ten days.

I want to thank Senators Rockefeller and Lott, Chairman and Ranking Member of the Commerce Committee’s Aviation Subcommittee, for their work on this issue.

Both have both invested tremendous energy into moving this reauthorization. Their persistence has been critical to moving this Committee toward action on the mark before us today. And I appreciate their efforts.

The product before us represents a compromise that we can enact in reasonably short order. And I urge the Members of this Committee to support it.

The mark also includes changes to the Highway Trust Fund. Last year, the Highway Trust Fund celebrated its 50th anniversary. Unfortunately, just a few months after that Golden Anniversary, we learned that the Highway Trust Fund’s finances are in trouble. The Trust Fund has a deficit that, if left unfixed, will threaten critical investment in this Nation’s roads and bridges.

Taxes on gasoline, diesel, and heavy trucks finance the Trust Fund. The Trust Fund is thus sensitive to changes in the use of these items. As Americans drive less, and as vehicle fuel-efficiency increases, the Trust Fund’s balance has taken a significant hit.

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A Trust Fund deficit of $4.3 billion is projected for 2009. That number will grow to more than $5 billion if an amendment to increase funding for bridge repair becomes law.

The Chairman's mark fills the projected deficit in highway funding for 2009. I urge my Colleagues to support it.

The third item that we will consider today is the Habitat and Land Conservation Act 2007. This mark provides incentives to land owners to protect and conserve valuable land. We are making permanent the tax deduction for landowners who place their land in conservation easements.

Thanks to the initiative of Senators Crapo and Lincoln, we establish new tax credits and deductions for taxpayers who aid in the recovery of threatened or endangered species. We extend the brownfields expensing provision to help with environmental clean ups. And we clarify a property exchange provision in the tax code.

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