United States Senate
Committee on Finance

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Statement of Sen. Chuck Grassley
Hearing, "Airport Airways Trust Fund: The Future of Aviation Financing"
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Aviation is an important part of the American economy. It is vital to all communities, whether rural or urban, that people are able to travel in a timely, safe, and cost-efficient manner to worldwide destinations. Whether it is the businesswoman traveling to meet her clients or visit her company's other plants, the tourist who wants to experience the beauty and uniqueness of our country, or the grandparents visiting their grandchildren; efficient, affordable, and safe air travel is imperative.

This year, Congress is faced with reauthorizing aviation legislation and this Committee will oversee all of the dedicated taxes funding the legislation. Since 2001 the aviation world that existed in the last reauthorization has changed dramatically. With this reauthorization, we will have the opportunity to reshape our system to reflect today's realities and to help further modernize the nation's air traffic system, airports, and facilities to provide more efficient and safe air travel. I am proud that the United States has one of the best records for aviation safety. However, we are back to the level of air traffic that we saw before 9/11 and it is forecasted that it will continue to grow for the foreseeable future.

We must act today to prepare for tomorrow. I believe it has become obvious; the solutions of the past do not reflect the flying realities of the present. Certainly the funding solutions of the past will not offer all of the funding solutions for the future.

There has already been much contention related to this reauthorization. While we may have differing approaches on how to provide funds to the Airport and Airways Trust Fund, I think that we can agree on some major principles. I sincerely believe that everyone on this Committee, and the American people, have a vested interest to ensure a stable, dependable, and predictable revenue flow to the Airport and Airways Trust Fund.

First, we need to ensure that we have adequate funding to modernize our air traffic control system. In light of capacity issues and the 1950s equipment being used to manage our skies, we cannot miss this opportunity to provide the funds that will allow the next generation of air traffic control to be implemented as quickly and prudently as possible. As I recall, the electronic equipment we had in the 1950s was a black and white TV with bunny ear antennas that only transmitted a snowy picture. Just like it was the right time to replace that old television years ago (although I may still have it in the attic), now is the right time to replace the old radar technology with real time GPS technology. The American people deserve our investment in new technology. Second, we need to honestly look

at the diversity of our airport system to structure funding for the safety and fairness of every airport in America.

It is important throughout this process to remember the needs of rural states and communities, such as my state of Iowa. It is true that with our elaborate air transportation system, people who live near hub airports have the opportunity to take advantage of air travel somewhat efficiently and at a reasonable price. However, those in rural areas have more difficulties. This challenge has become even more difficult after 9/11 when most small communities were reduced to one air carrier with less frequent flights. Commercial carriers only fly into 500 airports, although that is a business choice and there are other airports they could serve. When you take into account the added security time and the record delays the airlines are experiencing, it can be difficult to do business in rural America.

Over the past decade, a new prong has developed in the aviation industry. Traditionally, the focus has been on just two main categories, commercial aviation and the private airplanes for individual or corporate use. Today, we have a growing new class of business aviation, which includes the new dynamic of fractional jet ownerships. The new business class is anticipated to grow at a much faster rate than other segments. This new prong is providing valuable opportunities for businesses to enhance efficiencies and productivity, and is also a potential way for rural areas to have more transportation opportunities. While this is good news and may be a saving grace for struggling rural economies, the growth of business aviation is creating more stress on our national air traffic system.

Under current law, the Airport and Airways Trust Fund has been overwhelmingly funded by excise taxes paid by the American flying public. Those excise taxes have been included in the passengers' ticket expense and the commercial carriers have been a trusted and steadfast partner as an agent of the federal government in collecting and remitting the excise taxes through the passenger ticket system. As we evaluate the funding for the future, this Committee will need to make decisions over the funding responsibilities that should be allocated to all participants to include the passengers, airlines, and owners and operators of the aviation inventory across the nation.