COMMITTEE ON FINANCE
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Max Baucus, Chairman
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Airport Airways Trust Fund: The Future of Aviation Financing
Opening Statement of Senator Max Baucus (D-Mont.)

Good morning. Today we'll explore the state of the Airport and Airway Trust Fund — also known as the Aviation Trust Fund. I thank our witnesses for being here, especially Dr. Mark Hansen, who flew from the Bay Area to join us. Dr. Hansen, in addition to a thank-you from the Finance Committee, I'm authorized to say that you'll receive 4,824 frequent-flyer miles for your trip.

Thirty-seven years ago, Congress enacted the Aviation Trust Fund to finance capital investment in the aviation system and to cover a small portion of the system's operating costs.

Much has changed since 1970, both with the Aviation Trust Fund and with aviation generally.

Trust fund revenues have gone from zero to about $12 billion a year.

And the nature of the Trust Fund has also changed. In the Trust Fund's first year, Congress and the Nixon Administration fought over whether the Trust Fund should finance just capital projects, or overall aviation operations, as well.

In the last 37 years, the Trust Fund has evolved to become a hybrid of the two. The Aviation Trust Fund now finances nearly half of FAA operations.

Finally, the amount of money remaining in the Trust Fund — what folks call the "uncommitted balance" — has also fluctuated wildly. The uncommitted balance of the Fund has gone from zero in 1970 to a high of over $11 billion in 1999, to less than $2 billion today. Much of the recent drop in the Fund's balance occurred after 9-11, when many Americans just stopped flying.

Roughly half of the Trust Fund's revenue comes from passenger ticket taxes. So the post-9-11 downturn in the Trust Fund's balance came as no surprise. That downturn also argues for a more predictable stream of revenue to fund the aviation system.

But while the trust fund has changed a great deal, aviation itself has changed even more. In 1973, in response to a series of hijackings, airlines started screening passengers and their carry-ons.

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A few years later, airline deregulation occurred, removing the requirement that airlines serve certain areas — like rural Montana.

In the 1980s, air-traffic controllers went on strike. Airline bankruptcies piled up. And the Aviation Trust Fund lapsed for the first time, as Congress was unable to agree on how to reauthorize its taxes.

The 1990s brought the internet, and with it online booking of air travel.

And at the beginning of this decade, 9-11 was not only a watershed event in American history. It also permanently changed the way that we fly.

What does the future hold? More change. By 2016, the U.S. air-traffic system will handle an estimated 61,000 flights a day, an increase of about one-third. By 2015, the number of passengers on U.S. flights will increase from about 740 million trips per year to 1 billion per year.

Technology is also changing. Jets are more affordable than they used to be. And their use in business aviation has increased accordingly. Business aviation is expected to increase even more in the coming years.

Jets are also changing the commercial sector, as we saw on Sunday, with the introduction of Boeing's 787 Dreamliner. Lighter, quieter, and greener than today's planes, the Dreamliner is being touted as the next generation of commercial aircraft.

There's wide agreement that we need a next generation of the air traffic system, as well. The "NextGen" system will lead to a safer, more-efficient air traffic system.

But questions remain: How much will this new system cost? And who's going to pay for it? Those are the questions that we'll try to answer today, and at a subcommittee hearing next week.

Throughout our work, this committee will be working to find — and to fund — an air-traffic system that is fair, reliable, and efficient. I hope that today's hearing will be a positive step to that end.

As for Dr. Hansen's miles, I have just learned that those miles are redeemable only for magazine subscriptions. Dr. Hansen, I guess you'll have some reading material for the flight home. Thanks again for joining us.

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