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Speech

A Business View of the Myths and Realities Around FAA Funding

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Good afternoon. And thank you for inviting me to join you today.

It is always a pleasure to talk with people who understand how vital aviation is to the national interest, and I appreciate your warm welcome.

Over the next 20 minutes, I will be wearing two hats. I am going to begin as Cessna's Chairman, President, and CEO, and finish as the Chairman of the General Aviation Manufacturers Association.

So let us start with Cessna. Our company's founder, Clyde Cessna, was inspired to start his own aviation business when he saw an air show a few years after the Wright Brothers' first flight. Clyde was so enthusiastic about the promise of aviation that he built his own airplane.

He survived 11 crashes as he taught himself how to fly. But he would not quit, and eventually, he succeeded. And then he built upon each successive triumph. Clyde's Midwestern stubborn streak became the cornerstone for the company that bears his name: Cessna, the brand synonymous with aviation for almost 80 years.

We have helped pioneer developments in aircraft technologies that have taken us from radial to piston engines and have blasted us into the jet age.

And Cessna's contribution to these advances has helped us earn our reputation as the world's leading general aviation company.

Our reputation for leadership is further reflected in two key facts: first, more than half the people in the United States who know how to fly learned in a Cessna.

And second – half of all the general aviation airplanes in the world today are Cessnas.

Our company has not only built – but also is committed to sustaining – a legacy of aviation leadership.

Two of my predecessors were instrumental in advancing our reputation and legacy – Dwane Wallace and Russ Meyer. They set high standards that I am committed to living up to as the company's fourth Chairman. As I humbly continue the traditions of those who led Cessna before me, I am faced with a central challenge: How to inspire this great company, a proven leader that has met every challenge, and keep it vibrant and forward-looking – the leader in aviation's future.

And although I am a businessman and not a policymaker, the challenges we face at Cessna seem similar to the ones many of you in this room are addressing – to preserve aviation's as the industry heads into its second century.

Consider these parallels: First, I mentioned Cessna's strong legacy. Similarly, U.S. aviation has a proud history of global leadership. Our system handles 50 percent of the world's commercial air traffic and has the best safety record in the world.

Second, I mentioned the need for Cessna to prepare for future challenges. In the same vein, the work now beginning on FAA reauthorization must focus on preparing the nation's air transportation system to serve us well into the future.

As I said, I am a businessman, not a policymaker. But since our challenges have much in common, and since FAA officials often speak of the need to run the aviation system more like a business, I am going to offer another approach.

The same kinds of questions I ask at Cessna are those we need to ask about future needs and funding for the FAA.

“Where does our aviation system stand today?”

“Where is the market headed?”

“What are the requirements we will have to meet?”

Instead of answers to these basic questions, all we're hearing right now are unsupported statements that amount to little more than myths.

Unfortunately, these myths have crept into the public discussion about FAA funding and they have gained undeserved credibility.

My goal today is to debunk these myths and replace them with some business realities that need to influence the public debate.

To do that, I am going to examine five myths about FAA reauthorization, and then I am going to outline the business principles that can guide us to real, results-oriented funding solutions for the future of the aviation system.

Myth number one: The mechanisms for funding the FAA are broken

Some who support changes in the FAA's funding mechanisms contend that the Agency lacks a stable and predictable funding stream.

I disagree.

As a businessperson, I think we have to look at history, and ask a simple question: Has the FAA's funding been stable and are its revenue levels predictable?

The answer to the first part of the question is yes; historical funding for the FAA has always been stable and predictable.

The truth is, the steadiness of the FAA's funding stream over the past decade has been nothing short of remarkable.

At no point in the last 10 years has FAA funding declined.

Tech bubbles have burst, terrorists have attacked, wars have been fought, general aviation deliveries have dropped – I could go on.

It has been a very turbulent decade. Yet through it all, Congress has ensured that FAA funding levels remained stable or even increased.

Some counter this view by saying funding stability will not be the case going forward as they point to the President's proposed budget, which spells out cuts for FAA funding.

I say actions – history – speak louder than words: Just look at history.

Presidents of both parties have routinely proposed cuts to FAA funding over the years.

Yet Congress has consistently preserved, and even increased FAA funding levels. Just last year, the Senate and House of Representatives passed a Transportation Appropriations bill that raised the FAA General Fund contribution to 25 percent of the Agency's total funding.

That more than doubled the President's budget request! And this was done without any significant lobbying effort.

So, the reality is the current funding system is not "broken."

Of course, now that this reality is being rediscovered, some supporters are admitting there really is not a funding crisis and are attempting to reframe the debate by suggesting other reasons for a change in the FAA's funding mechanisms.

Myth number two: A funding overhaul is needed to pay for modernization, and to cover revenue shortfalls from the declining commercial ticket tax

You probably noticed that this myth is actually two arguments bundled together, so let me dissect them one at a time.

The first is that a funding overhaul is needed so the FAA can invest in technology-based capacity improvements to modernize the system.

Let me shine a business light on this logic and ask how would a business evaluate future capital investment needs?

We would conduct studies to determine where the markets are going, what are the must-haves, what are the nice-to-haves, and so forth to meet those challenges.

Once we had finished sizing the needs – only then would we consider the best ways to provide the funding.

What expenditures can be reduced?

What new revenue sources can we tap or develop?

In the FAA funding discussion, it appears these questions either do not matter – or do not matter enough.

As of now, the only answers we're hearing are:

"We do not know what the cost of modernization will be."

"We are not even sure which technologies are most needed, or when they would be certified."

"We do not know if a change to the Agency's funding level is truly necessary for modernization investments."

At Cessna, I would have a tough time getting funding to develop a new airplane if I could not lay out what we wanted to build, why; what it would cost; and how long it would take.

The second argument says the FAA funding mechanism needs to be changed to cover the declines in the airline ticket tax.

From a business perspective, this suffers from the same reality problem. The fact is, ticket prices, and the taxes that come with them, are going up. They have been going up for more than a year.

At the same time, passenger traffic is also up.

Besides, if there is a problem with airline ticket taxes, let's target the solution to that problem.

We do not need to discard proven revenue generators like the general aviation fuel taxes or the cargo waybill. These taxes actually reflect reality and do a great job of approximating system usage.

I would argue that general aviation should continue to pay for the costs it imposes on the system through fuel taxes. They have proven to be highly efficient and effective.

You see, for general aviation operators, there is no administrative burden with the fuel tax. It is simply paid at the pump.

This is important to the thousands of U.S. companies that are not in the aviation business – but rely on general aviation to help their organizations compete in the marketplace.

Fuel taxes are also good government policy, because they are remitted directly from users to the government. Therefore, the FAA incurs no administrative costs associated with the taxes.

The fuel tax is in stark contrast to the costly and burdensome bureaucracy that goes with the user-fee systems in other countries.

If the commercial ticket tax is truly a problem, fix that specific problem. Do not create another one.

Do not replace a simple, fair, and efficient tax on general aviation with complex user fees.

Myth number three: General aviation does not pay its “fair share” for its use of the National Air Transportation System

The Air Transport Association is fond of saying that while general aviation represents approximately 30 percent of IFR operations, it contributes a smaller percentage of revenue to the FAA's Aviation Trust Fund.

No matter how carefully you listen, you will never hear them using the most meaningful metric in this entire debate: that general aviation represents only about 3 percent of all operations at our nation's 20 busiest and costliest airports.

The reality is the size, complexity and cost of our nation's air transportation system is dictated by the operating models of just a few airlines.

Let's face it, the national aviation system was built with one major priority in mind: to accommodate airline operations — in particular, to accommodate peak traffic at commercial airline hubs.

The principal drivers of the costs of the system are the infrastructure and support networks to handle those operations at hub airports.

Don't just take my word for it.

The Government Accountability Office produced a report that overwhelmingly supported the economic fact that the primary cost drivers of the system are the airlines' peak operations at the hubs.

By contrast, general aviation is simply not a significant cost driver for the FAA.

Case in point: Ronald Reagan Washington National Airport was closed to general aviation for four years. Yet the FAA's costs associated with that airport did not go down.

Now, in my roles with both Cessna and GAMA, I care about fair share, too.

So I say – General Aviation should not pay for the costs the airlines impose on the system by putting dozens of airplanes into a single airport within a 15 minute window. Nor should it pay for any other expenses driven by commercial aviation – from which we in General Aviation do not derive a clear benefit.

Myth number four: User fees will provide stable and predictable funding for the FAA

The reality? The track record of aviation user-fee systems, like NAVCANADA and NATS in Europe, tells us that the mechanism becomes very unstable in economic downturns.

As a result, government bailouts are required, or fees must be increased just when the industry is least able to afford the spike in costs.

Does this sound like a system we would value in the United States? One that could be crippled by a new bureaucracy that could all too easily cost more than it could contribute?

I don't think so.

Myth number five: the Very Light Jet is going to place a new and undue burden on the air transportation system

So let me put the dire predictions about VLJs in perspective.

First, these aircraft will be capable of flying efficiently both above and below airline traffic.

Second, just like today's general aviation operations, VLJ operations will largely circumvent the large hubs used by the airlines – and instead operate from smaller airports with runways as short as 3,000 feet.

Third, even if the most optimistic predictions about the VLJ market turn out to be true, we will not see large numbers entering the system over the next five years. That means we have time to see how this market truly develops.

Now that I have discussed the myths that, to date, have been clouding the public debate about FAA reauthorization, I would like to propose a platform for strengthening our aviation system.

Solution

This is the platform that general aviation supports.

First, invest in the National Air Transportation System. Every American benefits from this system. So a higher contribution— at least 30 percent— to the FAA from the “General Fund” is appropriate to support the Next Generation Air Transportation System.

In fact, I would like to invite the airlines to join us in a concerted effort to secure this level of funding from Congress.

Second, modernize with satellite and other technologies to increase efficiency.

We in general aviation want a system that is more satellite-based than today's ground-based navigation system. The general aviation sector has proven its willingness over the years to bear the costs associated with many improvements we all enjoy.

But the FAA must do the critical work of making the case for which technologies are needed, and what they will cost.

Third, keep the current revenue structure, including general aviation fuel taxes.

For the very same reasons I have outlined, the Report of the National Civil Aviation Review Commission endorsed general aviation fuel taxes as, “the most appropriate way for this important segment of civil aviation to pay its share of system costs.”

Fourth, reject user fees for general aviation.

And, last but not least...Ensure continuing congressional authority.

Congress’s continuing support for stable or increased FAA funding shows how important it is that the legislative branch retain its funding oversight role and its ability to serve as a check-and-balance to the wishes of the Executive.

I am confident that by working together on this platform we can help affect policy decisions that are more enlightened, more realistic, more equitable, and more cost effective.

And I am confident that these policy decisions will result in a goal we all want to achieve – a strong, sustainable aviation system for our nation.

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This speech was also presented at the Wings Club Monthly Luncheon in New York City on Feb. 23, 2006.