

# AOPA User Charge Position

Here is why AOPA is opposed to user taxes and charges:

Aviation should not be assessed with selective user taxes unless Congress adopts a national policy that applies such taxes to the users and beneficiaries of all government services. Congress has demonstrated no inclination to establish such a policy despite repeated requests for one for 20 years.

Traditionally, almost all government programs have been financed from general tax revenues. This tradition should continue. Only 7 percent of federal revenues are secured from user taxes and charges: 3 percent from highway taxes, 3 percent from postal receipts, and 1 percent from all other user tax sources. Hence, 93 percent of federal revenues are derived from general tax sources.

A long line of laws passed by Congress, beginning before World War I, has declared that the promotion of civil aeronautics was in the public interest and should be funded from general revenues. Only in 1970, with the passage of the Airport and Airway Development and Revenue Acts, was Congress persuaded that users should be taxed for facilities and services that the public required by law. Even then, Congress was not sure of its action and requested a study of how federal airport and airway costs should be distributed among users and beneficiaries.

At this writing (August 1973) that study has not been completed, but preliminary indications are that the Department of Transportation thinks that no part of the costs should be funded from general revenues. In short, it claims that there is no public benefit that is relevant to or justifies asking the public to continue to bear any part of the cost of federal programs related to the airport and airway system.

The belief that trust funds are inviolable has not proved out in practice. Social security funds are borrowed for other governmental purposes. The highway trust fund has just been opened to support of rail transit systems. The Administration made repeated efforts to divert aviation trust funds from required capital investments to current operating costs. Meanwhile, development of airports and airway facilities, for which the trust fund was established, suffered, and funds continue to accumulate. The Administration hopes that future diversion efforts will be successful. Now some are looking to the trust fund to cover environmental costs related to airlines and airports used by airlines.

The hope by many that user taxes and an aviation trust

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■ ■ Congress is expected to decide within the next few months whether or not aviation is paying its "fair share" of the costs of the airport and airways systems. For more than two years the Department of Transportation has been conducting a cost allocation study.

Although the DOT study has determined that there are benefits to the general public from air transportation, it concludes that these benefits are difficult to assess, and that they are not unique. That is, air transportation is no different from the steel industry or automobile industry, and, therefore, should not be supported by general taxation.

The Department of Transportation report and recommendations had not been submitted to Congress at press time. It is expected, however, based on previous industry briefings by the DOT, that the recommendations will be for the users to pay the full cost of the system. General aviation paid \$62.9 million into the

## GAMA Position:

# Cost Sharing

## Air Transportation in America

Historically, the United States and all nations of the world have considered the development of land, sea and air transportation as a matter of national concern and public necessity.

In the early days of our republic, harbors, waterways and seaports, being of primary concern, were developed under the sponsorship of general tax funds. The navigable waters, major waterway developments and a multitude of other activities continue to be supported by general tax funds.

When the westward migration started, and with the advent of the railroads, the general tax fund again supported the developments with subsidies, mail payments and—probably most important—the granting of millions of acres of land for rights-of-way. Today, federal support of the railroads continues.

The development of the automobile with the costs of roads, highways, bridges, police regulation and traffic management has been heavily supported over the years by federal and state general tax funds. As the industry developed, gasoline taxes, license fees and other "user charges" were devised to partially pay the costs of the system. However, by no means is the full cost of the system assessed to the owners and operators of motor vehicles. Mass transportation is receiving increasing public recognition and support to ensure its success. Transit programs in large and small cities are receiving allocations from general tax funds.

Just as these transportation modes have been developed as a matter of national concern and general public benefit, so air transportation has been developed as a public necessity. Avia-



aviation trust fund in 1971. The DOT says general aviation's "fair share" should be \$395.3 million.

During industry briefings, several alternative proposals have been made by the DOT. These include such things as an increase in the federal tax on general aviation fuel to as much as 58¢ a gallon, or a reduction in the tax to 4¢ a gallon and institution of a federal landing fee of \$3 for a single-engine airplane and \$8 for a light twin. Another alternative is to charge for filing flight plans.

Whether one of these plans or a different approach is proposed, it seems certain that Congress will be considering a change in the taxes paid by aviation.

There are differing opinions among general aviation groups as to the position aviation should take with Congress on this subject. Two positions are presented here in *The PILOT*. The General Aviation Manufacturers Association, representing the manufacturers of aircraft, engines and avionics, has bought advertising

space in the October issue of *FLYING* magazine to express one point of view. The AOPA *PILOT* is printing the manufacturers' position, in full, at no cost to the manufacturers. The position developed by the AOPA staff, based on evaluation of members' correspondence, telephone calls and personal contact, is also presented.

Because this cost allocation subject has such significant impact on pilots and aircraft owners, AOPA wanted to make sure pilots and plane owners understood the significance of the government proposals and alternative positions of aviation groups.

Please read both positions. Then, let AOPA know your views. How do you want your interests protected? Send a letter, postcard or telegram to: Robert Monroe, Vice President, Policy and Technical Planning, AOPA, Box 5800, Washington, D.C. 20014. AOPA has volunteered to share with the manufacturers' association the results of this poll.

# in the National Aviation System

tion provides fast and convenient travel that links the American people and their commerce nationally and to the rest of the world.

Since the Air Commerce Act of 1926, the federal government has been responsible for fostering the growth of air transportation through the creation of the national aviation system. The preeminent role of the government in this regard is demonstrated by the fact that the national aviation system is designed, operated, maintained and regulated by the federal government in the public interest. There is no other transportation system that has had this degree of federal involvement in its development and operation.

At the local level, airport development has been undertaken by state, county and local authorities in recognition of the common good to the community. In addition, over 7000 private airports have been developed and contribute to the national aviation system at no federal or local government cost.

Aviation has led all other transportation forms in innovation and capacity to serve the public needs. The public has shown its desire for speed, flexibility and personal comfort of air travel, the predominant intercity travel mode with over 241 million Americans utilizing scheduled air carriers and general aviation in 1972.

Every city and town can trace its vitality to its link with the air transportation system. Every community that has an airport benefits from the fast inflow of people, goods, and ideas, or from the outflow of its own people and produce.

A community without an airport presents a closed door to

the world. Everyone benefits from the public air transportation system.

## Airport/Airway Legislation

In the late 1960s, an excellent plan was developed for the long-range growth of airports and airways. This plan recognized the needs of the entire public air transportation system and the demands for an improved airport/airway system.

In 1970, Congress passed landmark legislation—the Airport/Airway Development and Revenue Acts—to provide funding for the modernization and expansion of this national aviation system. The legislation called for minimum annual funding levels for airport development grants (\$280 million), facilities and equipment for the airways system (\$250 million) and research and design (\$50 million).

For the first time, an aviation trust fund was established. This fund was supported by a series of user charges to be shared by all of civil aviation. Congress enacted these user charges after thorough consideration as to the establishment of a fair and reasonable system.

The trust fund was created primarily to pay for the capital needs of the airport/airway system. It was anticipated that as the use of the system increased over the years, this growth would produce a surplus in the trust fund which could help to pay for general operation and maintenance of the system. As originally contemplated, funds could be used for operating purposes only after the levels of capital expenditures for expanding and modernizing the system had been met. Based on



## AOPA POSITION continued

fund would produce innumerable benefits for general aviation has not been realized. Only a handful of new general aviation airports has been contracted. The number of flight service stations has been reduced and more reductions are scheduled. Controlled airspace has expanded and terminal control areas have closed many important airports to general aviation access unless costly expenditures are made for new equipment.

The only Constitutional justification for a federal program is that it is in the public interest and provides for the general welfare of the United States. The nation's aviation system meets this justification.

Congress has enacted legislation mandating aviation programs, not for the sole purpose of benefiting aviation or aviation users, but rather to secure the benefits of air commerce to the nation as a whole. These benefits are derived from the exchange by air travel of goods, services and ideas and the use of air transportation to achieve national goals.

The benefits of air commerce are deemed to be a public good. A public good is characterized by three things: (1) The public or a significant portion of it, collectively desires a different set of goods and services, or desires them at an earlier point in time than the unhampered private market will normally produce; (2) the public is willing to pay to get these goods and services; and (3) the public, through its elected officials, invokes the force of law and the police powers of the state to assure that these goods and services are provided.

If the public is not willing to pay for a federal program, the government should divest itself of this activity and turn it over to private enterprise. Nor should the law be retained and the costs of the program transferred to selected taxpayers designated as users. The users in many cases do not want or need the goods and services of the particular quantity or quality or in the location that the general public demands.

The federal government, in order to provide the benefits of air commerce to the general public, is requiring of aviation more safety, more and different kinds of services, more sophistication, and more prestige than most users would procure for themselves. These things cost more than any user can absorb or pass on to his customers—if he has any—and most of general aviation does not.

If aviation programs mandated by law have no cost consequence to the public, there is no practical limit to what the public, acting through its government, can and will require. The end result would be elimination of the aviation user and, consequently, the benefits of air commerce.

Federal aviation programs should continue to be funded from general tax revenues so that the public pays for what it requires. This is how almost all government programs are financed. There is no justification for financing government aviation programs any differently than most other government programs. Nor does the fact that selective taxation has been used improperly to finance one program justify its extension to other programs.

This is why AOPA recommends that Congress should:

- (1) Reject the concept developed by the Department of Transportation that there are no public benefits from air commerce that justify funding from general tax revenues.
- (2) Repeal the existing user taxes on aviation users.
- (3) Abolish the aviation trust fund.
- (4) Repeal the authority for administrative user charges in 31 U.S.C. 483 (a). □

present FAA forecast of system usage, surpluses in the fund would be capable of paying a sizable portion of the total bill by 1980.

When the Airport/Airway Act was only a few months old, an attempt was made to divert user charge revenues to help pay for normal operation and maintenance expenses of the Federal Aviation Administration before minimum capital expenditures had been allocated. Congress immediately reacted by passing the so-called "Loophole Amendment," which specified that the trust fund was strictly capital in nature and that no funds could be used for operations and maintenance costs. Congress thus made clear its intent that user charges were meant to meet capital needs. Since passage of the "Loophole Amendment," a substantial surplus has been accumulating in the aviation trust fund because user charge collections continue to be much greater than the allocation of funds for capital improvements. Capital system improvements could be accelerated if greater use were made of the funds available. Based on the current levels of expenditure, it is anticipated that the trust fund will have a surplus exceeding \$6.8 billion by 1982.

Since 1971, all users of the civil aviation system—the airlines, airplane owners and users, airline and air commuter passengers—have been paying substantial user charges in the form of fuel taxes, ticket taxes, aircraft registration and poundage fees. Civil aviation has willingly adopted the philosophy that the system capital costs should be funded by this method. The surpluses generated should be used for maintenance and operations needs after the capital requirements of the system are met. However, it is imperative that the capital requirements of the system are first met.

## Cost Allocation

The Airport and Airway Development Act of 1970, which provided the bases of upgrading and expanding the national aviation system, intended that the system would be developed and supported by both user charges and direct appropriations from general funds. The Act also stated that the Secretary of Transportation shall conduct a study on the appropriate method of allocating the cost of the airport and airway system among various users, and shall identify the cost assigned to the federal government that should appropriately be charged to the system and the value assigned to any general public benefit.

The Department of Transportation has produced a comprehensive study on cost allocation and has reached the highly improbable conclusion that there is no unique public benefit which justifies the expenditure of general tax funds to support the National Aviation System. It should be noted that these same arguments presented in the Department of Transportation study may be used against federal support of educational institutions, agricultural subsidies, shipping, health care, research programs, and virtually every type of federal activity except possibly legislative and military functions.

The conclusions of this study appear to indicate that the users should pay the entire cost of the aviation system, thus requiring substantial increases in the present user charges. The study also establishes an unrealistically high-cost base for the airport and airway system and does not identify a means to keep the cost of this system from getting out of control.

The Cost Allocation Study by the Department of Transportation appears unfair to civil aviation for several reasons:

1. It does not recognize that there have been good and sufficient reasons for the continued development of our excellent national aviation system primarily from general tax revenues—at both the federal and local levels.
2. The study maintains that there is no reason for the general



public to pay for the benefits of having an air transportation system, even though an airport is an essential element in the economic and social development of any community.

3. The recommendations could lead to a destructively high level of user charges which could impair the development of civil aviation.
4. The conclusions run contrary to the tax arrangements established by Congress through the Airport and Airway legislation and subsequent amendments.

## Public Benefit of the Airport/Airway System

"Public Benefit," as defined, is the contribution to the general population which justifies the expenditure of general tax funds.

In the case of the National Aviation System, the direct beneficiaries are the airport owners, aviation companies, pilots, passengers, freight customers, etc., who use air transportation. But the general population receives a "Benefit" too. An example of this is the significant time and cost savings made available by air transportation. Those savings are passed on to the consumer in lower prices. The Department of Transportation Cost Allocation Study indicated that this amounts to nearly nine billion dollars annually.

Many of the public benefits are not measurable. The sense of personal security generated in knowing that the system can handle a personal emergency or business need is not definable. On a national scale, the existence of a safe, on-demand air navigation and traffic control system is priceless. The military "stand by" value of the system is worth more than the mere count of the routine day-to-day use of the system by military aircraft. The benefits of an airport to a community in terms of attracting new industry and jobs are well known. The local airport has had a positive influence upon the regional development in many areas of this country.

The unique "Public Benefit" of aviation may not be precisely determinable by economic analysis. In the last analysis a judgmental determination on public benefit must be made. A precise value on other programs such as education, defense, and health care cannot be assigned either, but the public senses the need and our elected representatives allocate such sums as they believe appropriate.

Currently, the direct users are contributing about 50 percent, and general tax funds about 50 percent. This is a reasonable and fair allocation.

## Cost Control

The cost base—that cost assigned to the operation of the entire National Aviation System—must be carefully examined to assure that the expansion of this effort is no more than the system requires.

Since the direct users will be paying a substantial share of the costs of the system, they should have increased control over the expenditures to assure their needs are met. The users must be able to help determine what services will be provided in the light of what they require and how much they can afford to pay.

A users' advisory panel should be created for this purpose by the FAA to review planning standards and budgets for the National Aviation System. Such a panel could be most helpful in cost control and in assuring that the cost base is maintained at reasonable levels.

## Administrative User Charges

Administrative user fees are charges which are imposed for required regulatory and safety services. This includes the licensing and certification functions of FAA, and touches on

every segment of the aviation community. A schedule of administrative fees and charges, over and above any existing user taxes, is being considered.

Serious questions can be raised about the method of collecting such charges, the cost to the FAA of collecting them, the possibility that they will lead to imposition of charges on U.S. aviation products elsewhere in the world and, indeed, the entire philosophy of charging for FAA regulatory and safety activities over which the user has no choice and no recourse.

The cost of providing these administrative services should not be divorced from the cost of the entire National Aviation System, nor should they be recovered by a separate schedule of fees enacted without consideration by Congress and paid by users who already are paying substantial taxes directly into the aviation trust fund.

We urge the Administration and Congress to defer any administrative charges until Congress has had an opportunity to study the entire matter of public benefit and cost allocation.

## Conclusion and Summary

The Airport/Airway Development Act of 1970 is good legislation, and its goals should continue to be met. Since its enactment, the Department of Transportation has conducted an extensive cost allocation study of the National Aviation System. We believe the policy decisions of the Administration and Congress, as a result of this effort, should reflect the following considerations:

### 1. Minimum Public Benefit of 50 Percent

The importance of air transportation to the national economy and public interest justifies at least a 50 percent public benefit value assigned to the National Aviation System. At the present time, the tax structure between what the air-traveling public pays for direct use of the system and what costs are supported by general revenues should be maintained.

### 2. Trust Fund Surpluses Should Be Utilized

The amended language of the Airport/Airway Development and Revenue Acts of 1970 is creating a substantial surplus in the aviation trust fund. If capital spending levels projected in the FAA ten-year plan are maintained, this surplus will exceed \$6.8 billion by 1982. The aviation trust fund should remain a capital improvement fund for airport expansion and airway modernization as specified. However, Congress should consider utilizing the excess revenues for operations and maintenance once agreed upon and stated capital expenditure levels are met. Implementing new taxes is unnecessary.

### 3. Cost Control Must Be Exercised

Continually increasing costs of the national aviation system need to be studied by the Executive Branch and Congress to identify a reasonable annual cost base and reduce marginal or unnecessary activities. Expenditures planned for the national aviation system over the next ten years should be reviewed.

A user's advisory panel should be created to assist in determining what services will be provided in light of how much users of the system can afford to pay.

### 4. New Administrative User Charges Should Be Deferred

Proposed administrative user charges are equivalent to additional taxation on the air-traveling public. Congress should prohibit such fees until they are reviewed as part of the cost allocation study and its recommendations. All proposed taxes, user charges, and regulatory requirements must be assessed for their impact on air transportation to assure that a negative, adverse impact will not result. □