



American Society of Civil Engineers

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**Testimony of
The American Society of Civil Engineers
Before the
Senate Committee on Finance
on
"Airport Airways Trust Fund: The Future of Aviation Financing"
July 12, 2007**

Mr. Chairman and Members of the Subcommittee:

On behalf of the American Society of Civil Engineers (ASCE) and its 140,000 members, the society would like to applaud the members of the Senate Committee on Finance for reviewing the infrastructure needs of the nation's aviation system and specifically the critical needs of the Airport Improvement Program.

In 2007, Congress must reauthorize the "Century of Aviation Reauthorization Act" (VISION-100) the federal law that funds the Federal Aviation Administration programs. Enacted in 2003, VISION-100 authorized just under \$16 billion for the nation's aviation infrastructure programs and builds on the initiatives established in the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21).

ASCE believes the reauthorization should focus on three goals: expanding infrastructure investment; enhancing infrastructure delivery; and maximizing infrastructure effectiveness. In this testimony, ASCE will focus its comments on expanding infrastructure investment.

The crumbling state of America's airports poses a real threat to public safety and the nation's economy, and financing the urgently needed repairs must become a priority for our nation's leaders. ASCE's 2005 Report Card for America's Infrastructure graded the nation's infrastructure a "D" based on fifteen categories, including aviation with a "D+." Gridlock on America's runways eased from crisis levels earlier in the decade due to reduced demand and recent modest funding increases. In March 2005, the FAA

forecasted total passenger enplanements would surpass 1 billion over the next ten years, representing a 41% increase from 2005. With this increase in passenger traffic, airports are at risk for seasonal and peak-period delays. Additionally, airports face the challenge of accommodating increasing numbers of regional jets and new very large aircraft (i.e. Airbus 380) and in the future, microjets.

ASCE has made passage of the FAA Reauthorization legislation a key component in its *Action Plan for the 110th Congress* which highlights eleven legislative actions that will help raise the nation's infrastructure GPA.

Investment Needs

The FAA's National Plan of Integrated Airport Systems (NPIAS) estimates that over the next five years (2007-2011) \$41.25 billion would be necessary to meet AIP-eligible infrastructure development projects, an average of \$8.24 billion annually. In FY 1007, \$3.52 billion was appropriated for AIP grants – a shortfall of \$4.72 billion. If this continues, the federal government will be investing less than half of what is needed to meet the documented airport infrastructure needs.

Additionally, airports have reported annual investment needs of \$17.5 billion for all planned development costs (AIP eligible and ineligible projects). Both the independent assessments and those of the FAA clearly demonstrate that federal aviation infrastructure investment is not keeping pace with growing demands placed on the system.

A System Reaching Capacity

The nation's aviation system is once again reaching capacity. Enplanements are at record levels with a total of 740.4 million in FY 2006 – 3.8 million more than in FY 2005 and will reach one billion a year by 2015. By 2020, total enplanements will reach 1.2 billion a projected increase of 63 percent in 14 years.

Growth in the cargo area is expected to outpace passenger growth over the next 14 years. In FY 2006, cargo revenue ton miles (RTMs) reached 39.6 billion, a 32 percent increase from FY 2000. By FY 2020, cargo RTMs are expected to reach 81.2 billion, a 104.8 percent increase from FY 2006.

These increases in flight activity are being felt by the traveling public in the form of delays. From January 2006 to January 2007 on time arrival was at 75.3 percent for commercial passenger airlines, similar to the rate in 2000. In its 2002 report, the Commission on the Future of the U.S. Aerospace Industry estimated the cost of aviation delays to the U.S. economy were \$9 billion in 2000 and would climb to \$30 billion annually in 2015. The commission expects that the total cost of air traffic management delays from 2000 to 2012 will be \$170 billion unless significant infrastructure investment is made.

Finally, the commission's report pointed out that from 1991 to 2002 air passenger traffic had increased by 40 percent, but only seven new runways and one new airport had been built during this time.

Expanding Investment in the Nation's Aviation Infrastructure

The Airport Improvement Program (AIP) funding and Passenger Facilities Charges (PFC) are the primary sources for funding airport capacity improvement projects. Congress needs to provide continued but separate funding for security operations that are not reliant on AIP and PFC funds.

AIP provides grants to the nation's airports for capital projects such as runways, taxiways and major facilities. Since 1970, the majority of AIP funding has been supported by direct and dedicated user fees through the Airport Trust Fund that is predicted to grow to more than \$16 billion by FY 2007.

The Passenger Facility Charge (PFC) Program allows the collection of PFC fees up to \$4.50 for every enplaned passenger at commercial airports controlled by public agencies. Airports use these fees to fund FAA-approved projects that enhance safety, security, or capacity; reduce noise; or increase air carrier competition.

ASCE supports the following goals for aviation infrastructure investment.

- An appropriate increase in the aviation user fee to meet the identified level of investment detailed in the National Plan of Integrated Airport Systems -- \$41.2 billion over 5 years.
- The Airport and Airway Trust Fund balances should be managed to maximize investment in the nation's infrastructure.
- Congress should preserve the current firewalls to allow for full use of trust fund revenues for investment in the nation's aviation transportation system.
- The reauthorization should maintain the current funding guarantees.
- Focusing the Airport and Airway Trust Fund expenditures on capital improvement.
- The Airport and Airway Trust Fund should not be used to pay for security costs, but specifically used for air traffic and airport maintenance and improvement.

ASCE has long supported the use of dedicated user fees and trust funds to finance infrastructure needs. ASCE supports the permanent extension and increase of user fees to adequately fund the Airport Improvement Program (AIP) through the Airport and Airway Trust Fund. Furthermore, ASCE recommends that all monies collected from these user fees should be deposited in the Airport Trust Fund, that the Airport Trust Fund be removed from the unified federal budget. The Airport and Airway Trust Fund should not be used to pay for security costs but specifically used for air traffic and airport maintenance and improvement. Trust fund balances should not exceed necessary funds to meet obligations plus an appropriate reserve. Revenue Aligned

Budget Authority (RABA), which allows for the allocation of all trust fund revenues, should be established in the airport trust fund.

ASCE supports an appropriate increase in the passenger facility charge (PFC) cap from \$4.50 to at least \$7.50 to allow airports to raise needed funds for improving the nation's aviation infrastructure.

Finally, ASCE supports the timely reauthorization of the program before the current legislation expires on September 30, 2007 to ensure predictability and stability in airport improvement funding.

Innovative Financing

Aviation capital needs exceed available funding. Therefore, support for initiatives for targeted airport and airway programs that foster innovative finance and project delivery (such as public-private partnerships) should be expanded to build and manage aviation projects, where feasible. ASCE supports the innovative financing programs and advocates making programs available to all states where appropriate. Additionally, the federal government should make every effort to develop new programs.

Conclusion

Aviation, like the other sectors of the nation's infrastructure needs, significant attention. The system is reaching capacity and the investment needs exceed the current available revenue. This situation will only grow worse as the volume of passengers and cargo continues to increase. Congress needs to address the problem by developing a comprehensive solution that increases the available investment in our nation's aviation infrastructure.

Again, ASCE supports an increase in the current user fees to adequately fund the Airport Improvement Program (AIP) through the Airport and Airway Trust Fund. Additionally, ASCE supports an appropriate increase in the passenger facility charge (PFC) cap from \$4.50 to at least \$7.50 to allow airports to raise needed funds for improving the nation's aviation infrastructure.

Addressing the nation's infrastructure needs will ensure that the United States remains a leader in the global economy while users of the system will benefit from less congestion and increased efficiency.

ASCE looks forward to working with the Senate Committee on Finance to develop a comprehensive solution for the nation's aviation infrastructure.