



December 6, 2013

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Aviation
FROM: Staff, Subcommittee on Aviation
RE: Subcommittee Hearing on “State of American Aviation”

PURPOSE

The Subcommittee on Aviation will meet on Thursday, December 12, 2013, at 10:00 a.m. in 2167 Rayburn House Office Building to review the state of American aviation. The Subcommittee will receive testimony on the economic health of American aviation, including impediments to growth, as well as issues or policy areas that should be considered in the next Federal Aviation Administration (FAA) reauthorization bill. The Subcommittee will receive testimony from representatives of the Department of Transportation (DOT), National Business Aviation Association (NBAA), American Association of Airport Executives (AAAE), Transportation Trades Department (TTD), General Aviation Manufacturers Association (GAMA), and Airlines for America (A4A).

American Aviation

The aviation industry is a vital sector of the United States economy. Commercial aviation is responsible for roughly five percent of our gross domestic product and contributes roughly ten million American jobs to our economy.¹ The aviation industry is comprised of different sectors, including commercial aviation, general aviation (GA), airports, and manufacturing. All of these sectors depend on a safe, efficient, and modern air traffic control system; a well-maintained and vast airport network; and efficient, effective, and economical regulatory processes.

¹ US Travel Association and the Eno Center for Transportation. “Addressing Future Capacity Needs in the U.S. Aviation System” pg. 4
http://www.ustravel.org/sites/default/files/page/2013/08/USTravel_Eno.pdf

The United States has roughly 19,700 airports providing important services to our aviation system, and in many communities they are key economic drivers.² According to the FAA's Air Traffic Organization, aviation currently helps transport millions of passengers and move billions in revenue ton-miles of freight safely and securely all across the country.³ Even though the United States has had a negative trade balance since 1971 (minus \$500 billion in 2009), civil aircraft engines, equipment, and parts had a \$75 billion positive impact on the trade balance and were the top net exports in the past decade.⁴ Such impacts are also seen state-by-state, where airports and air operators help connect large and small communities and create jobs and economic output.

Notwithstanding the positive impact the aviation industry has on the economy, until recently, the industry itself endured one of the worst economic downturns it has ever experienced. From 2001 through 2012, air carriers and operators struggled to stay profitable while faced with high fuel prices, reduced passenger traffic, increased global competition, and recessionary economies in the United States and Europe. In response, airlines reduced capacity and terminated services on unprofitable routes, which had subsequent effects on airports, as well as aircraft and engine manufacturing.

The FAA forecasts long term aviation growth, resulting in increased traffic and necessitating increased system capacity.⁵ These forecasts emphasize the need to modernize the air traffic control system, a program known as NextGen, in order to safely address the need for increased capacity while benefitting the environment.

Commercial Aviation

Commercial aviation is a major part of our economy, transporting over 640 million passengers domestically and nine million passengers internationally⁶ and moving over thirty seven billion revenue ton-miles of freight.⁷ The industry supported 380,564 full time jobs as of August 2013, which is a decrease of 2.2 percent from August 2012.⁸ The commercial airline industry had a net profit margin of four percent in the first nine months of 2013, resulting from increased operating revenues and lower fuel prices.⁹ The FAA's future forecast for commercial airlines anticipates growth in domestic capacity and passenger traffic. The FAA anticipates overall passenger enplanements will rise one percent this year, and regional carrier capacity is expected to increase by one and one half percent from 2013 levels.

² Department of Transportation Bureau of Transportation Statistics.

http://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/publications/national_transportation_statistics/html/table_01_03.html

³ Economic Impact of Civil Aviation on the US economy, FAA Air Traffic Organization, August 2011.

⁴ FAA Air Traffic Organization, "About Air Traffic Organization," Available at:

http://www.faa.gov/about/office_org/headquarters_offices/ato/

⁵ FAA Aerospace Forecast for Fiscal Years 2013-2023.

⁶ Bureau of Transportation Statistics, Department of Transportation Fiscal Year 2012 data.

http://www.rita.dot.gov/bts/press_releases/bts051_13

⁷ FAA Air Traffic Organization, "About Air Traffic Organization," Available at:

http://www.faa.gov/about/office_org/headquarters_offices/ato/

⁸ Data provided by the Bureau of Transportation Statistics to Aviation Subcommittee Staff.

⁹ Data provided by Airlines for American to the Aviation Subcommittee Staff.

The increase in passenger traffic has benefitted the Airport and Airway Trust Fund, which is funded through revenues from a series of taxes paid by national airspace system users and the General Fund. Specifically, the Trust Fund has increased seven percent from fiscal year 2012¹⁰. The Airport and Airway Trust Fund provides funding for critical infrastructure projects and FAA programs.

During the first six months of 2013, despite the challenges of weather and sequestration, domestic airlines' financial condition improved to achieving a two percent profit margin, or \$1.6 billion, up from \$1.2 billion during the same period in 2012.¹¹ According to airline industry representatives, this increase in profit margin is mostly due to a modest relief in fuel prices. At an average price of \$3.17 per gallon with taxes, the cost of jet fuel declined by five percent from an all-time high in 2012.¹² While passenger demand is rebounding, airline industry representatives argue that the industry continues to face structural and policy challenges and global competition.

General Aviation

In the United States, general aviation (GA) contributes about \$150 billion to the United States economy and supports roughly 1.2 million jobs.¹³ GA represents a broad range of aviation activities, including business, recreation, agriculture, law enforcement, and disaster relief.¹⁴ According to the FAA and the Aircraft Owners and Pilot Association (AOPA), GA aircraft carry 166 million passengers and fly over 24 million hours annually, with roughly sixty-six percent of those flights being flown for business purposes. These operations are primarily supported by a network of nearly 3,000 public-use general aviation airports, heliports, and seaplane bases, as well as several thousand private-use facilities.

GA has experienced a growth in its fleet from 220,670 aircraft in 2012 to 221,085 aircraft in 2013. However, the piston-engine aircraft fleet – by far the most widely used general aviation aircraft – has been steadily declining for more than a decade. Further, the number of active private pilots has been steadily declining, from 241,000 in 2003 to 188,000 in 2012. At the same time, there has been a decrease of roughly one percent in GA operations at FAA and contract air traffic control towers.¹⁵ Given the contributions that GA makes to the aviation system and the United States economy, it is important that the concerns and challenges for general aviation are understood and addressed.

Airports

The United States has an extensive network of over 19,000 airports, made up of commercial and general aviation airports of varying sizes, providing numerous services and contributing to the safety of our aviation system. In the United States there are roughly 499

¹⁰ Data provided by the FAA to the Aviation Subcommittee Staff.

¹¹ Airlines for America, "U.S. Airlines and the Quest to Reinvest" October 28, 2013; Available at: <http://www.slideshare.net/a4amediarelations/a4-a-indy-review-12884873> .

¹² Airlines for America, "U.S. Airlines and the Quest to Reinvest" October 28, 2013.

¹³ Data provided by the General Aviation Manufacturers Association (GAMA) to Aviation Subcommittee Staff.

¹⁴ General aviation does not include scheduled commercial flights or military flights.

¹⁵ Data provided by the FAA to Aviation Subcommittee staff.

commercial airports that provide scheduled air service to the traveling public,¹⁶ and approximately 2,952 airports that are considered general aviation (GA) airports by the FAA.¹⁷ This network of airports provides critical services to the American public.

Airports are the gateways to the United States aviation system, enabling millions of passengers to fly safely every day to their destinations. In fiscal year 2012, commercial airports enplaned over 740 million passengers. Commercial airports contributed \$1.2 trillion to the United States economy and supplied 1.2 million jobs.¹⁸ Many airports provide a crucial staging area to support disaster relief efforts whenever a community is in need. GA airports provide staging areas for law enforcement, national security, and aeromedical flight activities, as well as enable access to remote areas in the United States. They also act as a reliever airport should an aircraft need to land prior to its intended destination. The airports within the United States are key economic drivers that provide vital and necessary services to the American public.

Manufacturing

The United States is a world leader in aviation manufacturing. The Boeing Company is one of two major global manufacturers of twin-aisle and wide-body aircraft, and three of the six major GA manufacturers are based in the United States – Cessna, Hawker Beechcraft, and Gulfstream Aerospace. Aviation manufacturers are responsible for the design and production of aircraft, aircraft parts, and engines, as well as aviation systems.

American aviation manufacturing appears to be on the road to recovery. In fiscal year 2013, commercial manufacturing increased over thirteen percent even as the recovery from the economic downturn of the past few years continues.¹⁹ GA manufacturing has increased by twenty four percent from 2012 due to the continued demand for intercontinental business jets and new airplane models.²⁰ However, the GA manufacturing sector suffered during the recession, with a decline in total shipments and orders, a reduction in manufacturing activity, and significant layoffs. For example, in 2012 worldwide shipments of GA aircraft totaled just 2,133 units, as compared to 4,272 units delivered in 2007.²¹

Small businesses have a central role in United States aviation manufacturing as well. In fact, eighty percent of the 1,300 companies that are members of the Aircraft Electronics Association are small businesses.²² It is also worth noting that since 2008, Boeing has attributed roughly \$20.6 billion in activity to small business suppliers across the company's initiatives.²³

¹⁶ Federal Aviation Administration "Report to Congress: National Plan for Integrated Airport Systems (NPIAS) 2013-2017." September 27, 2012. Web.

http://www.faa.gov/airports/planning_capacity/npias/reports/media/2013/npias2013Narrative.pdf

¹⁷ Federal Aviation Administration "General Aviation Airports: A National Asset" May 2012. Web.

http://www.faa.gov/airports/planning_capacity/ga_study/media/2012AssetReport.pdf

¹⁸ ACI-NA. "The Economic Impact of Commercial Airports in 2010" January 2012. Web. http://www.aci-na.org/sites/default/files/airport_economic_impact_report_2012.pdf

¹⁹ Data provided by Aerospace Industries Association to Aviation Subcommittee staff .

²⁰ Id.

²¹ General Aviation Manufacturers Association Statistical Data Book and Industry Outlook, 2012

²² www.aea.net

²³ Boeing Small Business Fact Sheet 10-31-13.

Aviation Workforce

The aviation industry faces challenges in hiring and retaining skilled and qualified workers. Industry, and the FAA for that matter, is dealing with baby boomer retirements and the loss of years of experience. In 2011, over sixty percent of the United States aerospace workforce was 45 or older. By 2016, more thirty percent of the workforce will be eligible to retire.²⁴ Industry is seeking ways to ensure a future pool of eligible and qualified workers. Currently, companies invest heavily in training and apprenticeships. Aviation manufacturing requires highly-skilled workers. Without a pipeline of qualified workers, the United States leadership in aerospace manufacturing could suffer.

Conclusion

The United States aviation industry is a significant contributor to our economic growth. Given the millions of jobs and trillions of dollars to the United States' economy that the aviation industry contributes, the continued success of aviation is critical.

Witnesses:

Honorable Susan Kurland
Assistant Secretary for Aviation and International Affairs
Department of Transportation

Mr. Nicholas E. Calio
President and CEO
Airlines for America

Mr. Mark Brewer
Airport Director
Manchester-Boston Regional Airport
Chair,
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Mr. Peter Bunce
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Mr. Edward M. Bolen
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Mr. Edward Wytkind
President
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²⁴ Airlines for America.