

STATEMENT OF DAVID D. THOMAS, DEPUTY ADMINISTRATOR, FEDERAL AVIATION AGENCY,
BEFORE THE HOUSE WAYS AND MEANS COMMITTEE ON AUGUST 24, 1966, RESPECTING
AIRWAYS USER CHARGES.

Mr. Chairman and Members of the Committee:

My name is David D. Thomas. I am the Deputy Administrator of the Federal Aviation Agency. I appreciate this opportunity to appear before you today in support of the Administration's program for airways user charges.

The Administration's program has been presented to you by the Department of the Treasury. My purpose is to explain what the Federal airway system is and what it costs to run it, and to show how much revenue the Administration's proposal would produce, the amount that would be contributed by the commercial and general aviation segments of the industry, and how that revenue would compare with the costs incurred in providing the system.

The basic components of the airways system are the air traffic control system provided by FAA, which includes the airport traffic control towers and air route traffic control centers; the system of electronic and visual aids upon which navigation along the airways and into the terminals is based; and the flight service stations which provide weather, traffic, and other advisory services. While the nation's airports are a vital part of our national air transportation system, they are owned and operated (with a few significant exceptions) by the communities they serve. For this reason,

airport costs are not included in computing airways costs, although the Federal Government does assist the communities by providing airport grants-in-aid.

Further, the calculations we have made as to the cost of the system do not include various other service and regulatory programs of the Agency. For example, our calculations do not include costs we incur in conducting aircraft, airmen, and air carrier inspection and certification programs.

Operation and maintenance of the airways system constitute the bulk of system costs. However, in calculating total system costs, we must also take into consideration, as any normal business service organization would do, the depreciation on our capital investment, amortization of the long-range research and development costs applicable to airway facilities and services, and interest on the undepreciated investment in capital facilities and the unamortized portion of long-range R&D projects. (Costs based on these considerations are shown in Table 1.) Including all of these factors, it is estimated that the total costs of the domestic Federal airway system for the fiscal year 1967 will be \$552.0 million. During the first full year of tax funding under the proposed program (fiscal year 1968), it is estimated that costs will increase slightly to \$577.4 million.

In enacting the Federal Aviation Act of 1958, the Congress provided that the Federal airways system should be a single, common system designed for, and actually used by both civil and military aviation. Therefore, most of the costs of the system are joint costs and not attributable to any single user. Any military flight operation within the system receives

the same service from tower, approach control, and center facilities as does a civil flight. Similarly, it would use the same navigational aids. There are instances where costs are incurred solely for the benefit of military aviation. These costs attributable strictly to military needs have been excluded from the totals which we use for the purpose of allocating costs among the users.

The joint costs of the system are allocated among military, commercial, and general aviation on the basis of the proportionate use of those facilities and services. For example, at airport traffic control towers, we tally the number of the military, commercial, and general aviation operations, and determine the percentage of activity attributable to each type of operation. In the case of towers, the percentages of use by the military, general aviation, and air carriers are 9 percent, 70 percent, and 21 percent, respectively. The cost of the provision of control tower service is then allocated to each group on the basis of these percentages.

A look at the percentages of use for three of our other major facility groups will give you a general idea of the use made of the system. Thus, the air traffic control centers are used 35 percent by the military, 12 percent by general aviation, and 53 percent by air carriers. At flight service stations 74 percent of the use is by general aviation, 17 percent by the military, and only 9 percent by the air carriers. In the case of the navigation system, general aviation use is only 12 percent, whereas air carrier use amounts to 53 percent, and military to 35 percent.

The breakdown of the total domestic airway system costs and the allocation of those costs among the users is set out in Table 2. You will see that for fiscal year 1967, the total cost of the airways is estimated at \$552 million. From this total, we subtract \$10.7 million as costs attributable solely to military aviation, leaving a total for joint costs of \$541.3 million. Using the activity basis of allocating costs referred to above, the air carriers' share of these joint costs has been determined to be \$241.3 million, the general aviation share \$157.5 million, and the military share \$142.5 million.

The estimates of offsetting revenues from the taxes contained in the Administration's proposal are shown in Table 3. These estimates are based on forecasts of domestic carriage of passengers and cargo and of general aviation fuel consumption. The passenger tax revenues are either "realizable" or "imputed." The "imputed" revenues are those which would result were travel by Federal employees subject to the tax. "Realizable" revenues, of course, are those which will actually be collected.

Of the total realizable revenues for fiscal year 1967 shown in Table 3 as \$211.6 million, \$185.7 million would come from the tax on passengers and \$7.7 million from the tax on cargos. Thus the passengers and shippers who are the customers of the air carriers would contribute \$193.4 million toward offsetting the cost of the system. The \$13.1 million realized from the tax on aviation gasoline and \$5.1 million from the tax on jet fuel represent general aviation's contribution to the cost of the system. In terms of the

percentage of cost recovery, taking into account both realizable and imputed revenues, the Administration's proposal would recover 85.0 percent of the costs attributable to the air carriers' use and 11.6 percent of the costs attributable to general aviation use.

As the Treasury Department has indicated in its statement, the recent growth in civil aviation activity has been spectacular. We anticipate that in less than ten years the revenue passenger miles flown by the air lines will more than double and that the hours flown by general aviation aircraft will almost double. With respect to air cargo, we expect that within the next four years ton miles flown will more than double. Therefore, these percentages of cost recovery will increase over the next few years. Between fiscal years 1967 and 1970, we anticipate that the total realizable revenues will increase from 53.1 percent to 64.8 percent.

I hope this information will be helpful to the Committee in considering this legislation. I would be pleased to answer any questions which the Committee may have.

Table 3

COMPARISON OF CIVIL SHARE OF DOMESTIC AIRWAY COSTS WITH REVENUES FROM PROPOSED USER TAXES

Fiscal Years 1967, 1968, and 1970
(millions of dollars)

	FY 1967			FY 1968			FY 1970		
	Total	Air carrier	General aviation	Total	Air carrier	General aviation	Total	Air carrier	General aviation
Airway Costs (Civil Share)	\$398.8	\$241.3	\$157.5	\$417.6	\$254.8	\$162.8	\$453.6	\$274.5	\$179.1
Revenues:									
Passenger Tax, 5%	197.3	197.3	-	223.7	223.7	-	273.1	273.1	-
Realizable	185.7	185.7	-	210.5	210.5	-	257.0	257.0	-
Imputed	11.6	11.6	-	13.2	13.2	-	16.1	16.1	-
Freight Waybill Tax, 2%	7.7	7.7	-	8.9	8.9	-	11.3	11.3	-
Aviation Gasoline Tax, 4 cents	13.1	-	13.1	13.9	-	13.9	15.8	-	15.8
Jet Fuel Tax, 4 cents	5.1	-	5.1	6.4	-	6.4	9.8	-	9.8
Total	223.2	205.0	18.2	252.9	232.6	20.3	310.0	284.4	25.6
Realizable	211.6	193.4	18.2	239.7	219.4	20.3	293.9	268.3	25.6
Imputed	11.6	11.6	-	13.2	13.2	-	16.1	16.1	-
Percent Cost Recovery:									
Total Revenues	56.0%	85.0%	11.6%	60.6%	91.3%	12.5%	68.3%	103.6%	14.3%
Realizable Revenues	53.1	80.1	11.6	57.4	86.1	12.5	64.8	97.7	14.3

Note. - Revenues shown represent estimates of tax liability. Because the payment of taxes normally lags behind the incurrence of the tax liability, the dollar amounts shown are not equivalent to Treasury tax receipts for each fiscal year. Imputed revenues represent estimates of tax liability on Government passenger traffic which is exempt from the passenger tax but is part of the traffic using the airways.