

BACKGROUND: Federal aviation programs authorized under the “Vision-100-Century of Aviation Reauthorization Act” expired on September 30, 2007 and has been kept in operation under a series of legislative extensions. The most recent one will expire on March 26, 2009. The House passed its \$66 billion four-year reauthorization bill on September 20, 2007. The bill provided \$15.8 billion for the Aviation Improvement Program, \$13 billion for the Facilities and Equipment program, and \$37.2 billion for FAA Operations. The bill increases general aviation jet fuel taxes as well as aviation gas taxes in order to fund the air traffic control modernization initiative referred to as Next Generation Air Transportation System (NextGen). The bill also increases the cap on passenger facility charges that airports can charge from \$4.50 per passenger to \$7.00. The Senate has yet to pass its bill, primarily due to a dispute on how to pay for the NextGen system between commercial aviation and general aviation interests. Other issues in significant contention are labor issues involving air traffic controllers, major airline mergers, and package express companies.

ISSUES FOR THE NEW ADMINISTRATION

1. **Modernize the Air Traffic Control System:** Today’s air traffic control system is outdated and inefficient, relying on World War II-era radar and technologies. The state of the air traffic control system is at the heart of the nation’s aviation troubles, and its modernization must be a national priority. Reducing delays and cancellations by modernizing the air traffic control system, while increasing capacity and flow, should be a top priority for the new administration.

Action Items:

- The new Administration and Congress must act quickly to modernize the aviation system to meet the expected massive increase in passengers over the next 10 years by expediting air traffic modernization and providing adequate investment to increase the system’s capacity.
 - The United States must move forward with the Next Generation Air Transportation System initiative, utilizing state-of-the-art ground, air and satellite-based technologies as soon as possible.
2. **Relieve Aviation Congestion:** The air transportation system is stretched thin. Currently, the system handles 750 million passengers each year. This number will likely reach one billion by 2015. The current system is already straining and could reach gridlock if there is a failure to act. Passengers will experience ever-increasing levels of congestion unless the air transportation system is fundamentally transformed. A recent study by the Travel Industry Association revealed a deep frustration among air travelers as a result of congestion and delays, which caused them to avoid an estimated 41 million trips over the past 12 months at a cost of more than \$26 billion to the U.S. economy. The percentage of on-time arrivals at the nation’s busiest airports has steadily declined each year since 2002, when 82 percent of flights arrived on time at the 35 busiest airports. In 2006 the on-time arrival rate at those airports fell to 75 percent.

Action Item:

- The new Administration and Congress must work to reduce delays, eliminate congestion and move people and goods as quickly and efficiently as possible by building new runways,

installing new technology, and putting new procedures in place to facilitate capacity and efficiency enhancements. Technology upgrades and capacity improvement projects at major airports are especially needed.

3. **Stabilize Fuel Prices:** This summer, jet fuel prices were in excess of \$140 per barrel. Every one-cent increase in the cost of a gallon of jet fuel costs airlines an additional \$200 million per year in fuel costs. For 2008, Merrill-Lynch is forecasting that U.S. airlines will lose \$2 billion in 2008 if jet fuel prices remain at \$3.00 per gallon and, if they increase to \$3.50 per gallon holding everything else constant, its industry-loss forecast balloons to \$12 billion. The report states that if jet fuel prices remain at current levels, the industry will incur capacity reductions of historic proportions. This could have devastating results for air service to small or remote communities across the country. Recently, fuel prices have begun to drop back to a normative level, but pressure on the industry remains in such a fluid market.

Action Item:

- The new Administration and Congress should work to stabilize fuel prices, which would allow business and leisure travel to flourish and continue to generate jobs and power the U.S. economy.