Statement of

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Chairman Lott, Ranking Member Rockefeller and members the Senate Commerce Subcommittee on Aviation, thank you for inviting me to appear before your committee to discuss airport financing. I am testifying today on behalf of Airports Council International-North America (ACI-NA) and the American Association of Airport Executives (AAAE). ACI-NA represents local, regional and state governing bodies that own and operate commercial airports in the United States and Canada. AAAE represents the men and women who manage primary, commercial service, reliever and general aviation airports.

Before I begin discussing airport financing and outlining our recommendations for the next Federal Aviation Administration (FAA) reauthorization bill, I would like to comment briefly on the current relationship between airports and the federal government.

One of the most thoughtful and respected leaders in the airport industry is James Wilding, the president and chief executive officer of the Metropolitan Washington Airports

Authority. Mr. Wilding recently announced that he will be retiring in April after spending 43 years rebuilding Ronald Reagan Washington National Airport and building and expanding Washington Dulles International Airport.

Mr. Wilding has observed over many years that the relationship between airports and the federal government has deteriorated significantly. It has been moving from a partnership among federal, state and local governments to an environment where the federal government has forced local governments that are airports to relinquish many of their traditional roles and responsibilities. The next FAA reauthorization bill provides airports with an opportunity to begin improving that relationship.

As everyone on this committee knows, the federal government, itself, plays a prominent role in the aviation industry. It regulates airline safety, operates the national air traffic control system and administers a user-financed grant program to assist with capital investment in certain types of airport facilities. The federal government usually performs those responsibilities exceptionally well.

The federal government, however, often fails to acknowledge the unique roles and responsibilities that airports have in ensuring safety, security, and capacity at their facilities, independent of the growth in federal mandates. Airports are owned and operated by units of state and/or local government. But the federal government increasingly treats airports as if they are private, commercial entities that need regulation in the public interest rather than local public entities.

Mr. Wilding, like airport operators around the country, would prefer a more balanced relationship between airports and the federal government. While there is no single legislative step that Congress can take to accomplish that goal, we ask that members of this committee protect and restore the traditional roles and responsibilities of airports as you consider the next FAA reauthorization bill.

Airports stand ready to become full partners with the federal government. By working together, we can marshal federal and local resources to ensure that we have the safest and most secure aviation system possible. We can also be prepared for the increasing number of passengers who will be using our aviation system in the near future.

PROVIDE AIRPORTS WITH THE RESOURCES THEY NEED TO MEET FUTURE DEMAND

Mr. Chairman, I would like to begin my comments on airport finance by thanking you and the members of this committee who worked on H.R. 1000, the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century, also known as AIR-21. As most of you know, the last FAA reauthorization bill included record funding levels for the Airport Improvement Program (AIP).

Specifically, the law recognized the growing need for investment as it included $3.2 billion for the AIP program in Fiscal Year 2001 (FY01), $3.3 billion in FY02, and $3.4

billion in FY03 -- a 64 percent increase above previous levels in FY01 alone. The law also raised the cap on Passenger Facility Charges (PFCs) from $3.00 to $4.50. Together, these actions have improved safety and capacity at airports around the country.

In addition to increasing funds for the AIP program, members of this committee should also be commended for guaranteeing that all revenue and interest paid into the aviation trust fund will be spent on aviation. AIR-21 provides for budget points of order against any appropriations bill that either fails to spend all the trust fund receipts and interest or does not appropriate the total authorized levels for FAA's capital programs.

But much has changed since Congress passed AIR-21 almost three years ago. The downturn in the economy and the terrorist attacks on September 11 has hit the aviation industry particularly hard. The entire aviation system was shut down for the first time in history, passenger levels declined and the nation's network carriers reduced capacity.

In its Aerospace Forecast issued in March 2000, the FAA estimated that airline passenger traffic would decrease to 600.3 million enplanements in FY02. Despite this temporary reprieve, the agency expects that airline passenger traffic will increase by an average rate of 4 percent per year and reach one billion passengers by 2013 -- just a few years later than the agency had predicted before September 11. Given that airfield projects generally take a minimum of ten years and more to complete, we have no time to lose.

Gerald Dillingham, the Director of Civil Aviation Issues for the General Accounting Office (GAO), recently testified before the House Transportation and Infrastructure Committee about the need for additional capacity. He said, "enhancing the capacity and efficiency of the national airspace system through runway development and air traffic modernization is critical to preparing for the projected growth and demand for air travel."

Ken Mead, the Inspector General of the U.S. Department of Transportation (DOT), in recent testimony said, "building aviation system capacity and more efficient use of airspace" is one of four key issues for the next FAA reauthorization bill. Mead also suggested that it would be shortsighted for the FAA not to be "strategically positioned for when demand returns through a combination of new runways, better air traffic management technology, airspace redesign and greater use of non-hub airports."

We agree with the comments made by Dr. Dillingham, Mr. Mead, other Administration officials and Members of Congress who have suggested that we be prepared for future demand. We should use this temporary downturn to our advantage and begin building new runways now -- not later when passengers experience delays and cancellations like they did in 2000 when one in four flights were delayed, cancelled or diverted, affecting some 163 million passengers. In order to be prepared for future demand, however, we need to continue making wise investments in aviation infrastructure as Congress did in AIR-21.

ACI-NA recently surveyed airports around the country about their capital needs in order to determine how much investment in aviation infrastructure is necessary in the next few

years. From that survey, we estimate that capital development costs will total more than $61 billion between 2003 and 2006 at an average rate of about $15 billion per year. This estimate includes the costs of construction projects that are necessary but not eligible for AIP funds. These include parking lots, cargo buildings and terminal development, for example, at airports of all sizes.

Dr. Dillingham cited the ACI-NA survey in his recent testimony. He also estimated that the average amount that airports received for capital development from all sources was about $12 billion per year between 1999 and 2001. If that trend continues, airports would face about a $3.4 billion shortfall in capital needs and be forced to delay important safety and capacity projects every year through FY06. [Members of this committee should know that we make every effort to coordinate the distribution of our surveys with the FAA, the DOT Inspector General and GAO.]

Ideally, AAAE and ACI-NA would prefer that Congress provide another major increase in AIP funding, take the aviation trust fund off budget and lift the federal cap on PFCs to help airports meet future demand. Considering the current fiscal climate and the financial troubles plaguing the airline industry, we realize these suggestions might seem impractical to some members of this committee. However, we encourage Congress to take these and other steps to ensure that airports have the resources they need to meet future demand.

Provide Modest Increase in AIP Funding: We recognize the difficulty in providing significant increases in AIP funding, but the alternative is to fall further behind. Thus, we recommend that Congress authorize AIP at $4 billion in FY04 and increase the funding levels by an additional $100 million a year. By strengthening the trust fund we would also have more money available for necessary infrastructure investment as the industry turns around. Even at the funding level, a gap would exist between funding from all sources of capital and the annual capital needs of airports.

Maintain Current Budget Protections: We also urge you to continue providing budget protections for the AIP program. The budget protections that you included in AIR-21 have worked exceptionally well. In fact, Congress has appropriated the same amount for AIP per year that it authorized in AIR-21. As you consider the next FAA reauthorization bill it is imperative that you maintain the current budget protections that have worked so well under AIR-21.

UNLEASH AIP FUNDS, PFCS AND AIRPORT BONDS

Airports rely on a number of different sources to fund their capital needs. The two that may be most familiar to members of this committee are AIP and PFCs. Unlike many other transportation entities, airports generate much of their capital themselves through airport bonds, special facility bonds, state and local contributions and revenue generated from airport fees, rates and charges.

One of the most important sources of funding, especially for small- and non-hub airports is AIP. Airports use AIP funds to finance a variety of capital improvements including runway and taxiway construction, navigation aids and airfield lighting. Airports, however, are strictly prohibited from using AIP funds for operational costs such as salaries, marketing plans and constructing revenue-producing terminal areas such as ticket counters and concession stands.

PFCs are another source of revenue for airports. The PFC program allows airports to impose local fees on airline passengers enplaned at their facilities in order to pay for the development of the facilities they use at that airport. Airports may use PFCs for AIP-eligible projects. Unlike AIP funds, airports can use PFCs to pay interest on airport bonds and for construction on certain revenue-producing areas of airport terminals. The FAA estimates that airports collected approximately $2 billion from PFCs in FY02. Currently, 310 airports impose PFCs proving this is a local decision.

Provide Airports with Flexibility on How They Can Use AIP funds and PFCs: As I mentioned previously, airports use revenue generated from a number of different sources. Each of these "currencies" has its own strings attached that create significant problems for airports. We believe that we should work toward an "Airport Euro," a common currency to eliminate these multiple rules and regulations and permit airports to use AIP and PFC funds for any airport capital project, provided that we retain necessary prohibitions against revenue diversion and unjust discrimination.

Under our proposal, for instance, airports would be free to use AIP funds and PFCs to acquire airline baggage systems, information technology, ground support equipment, gates and ticket counters. These measures are also responsible ways to support airline needs and strengthen competition at the same time.

Streamline the PFC Process: In addition to giving airports flexibility in how they can use AIP funds and PFCs, we think Congress can improve the PFC program. Airports believe that the PFC program would be more useful if it were treated more like airport rates and charges. This would require less federal oversight and make the PFC program more efficient. At the very least, we think the application process should be streamlined.

It can currently take more than nine months for airports to gain approval to begin collecting PFCs. This is simply too long, with no added benefits accruing. Eliminating the duplicative Federal Register comment process and the additional requirements placed upon airports applying for $4.00 and $4.50 PFCs could reduce those delays and save airports, airlines and taxpayers scarce dollars. We are encouraged by our recent conversation with FAA Administrator Blakey and her staff who suggest the FAA is seeking to streamline the PFC approval process.

Protect PFCs that Bankrupt Airlines Owe Airports: Airlines collect PFCs on behalf of airports and then remit them to airports. Two major airlines – United and U.S. Airways – have already filed for bankruptcy. Other airlines may not be far behind especially if there is a war with Iraq causing fuel prices to rise and international passenger traffic to drop

off. Airports now have to resort to the legal process to recover PFCs owed to them. In December a U.S. Bankruptcy Court judge ordered United Airlines to pay Denver International Airport $4.7 million in PFCs that the airline collected. Congress should codify the principle that PFCs are held in trust by the airlines and ensure that airports receive their PFCs in a timely fashion from airlines whether they have declared bankruptcy or not.

Eliminate Unnecessary and Bureaucratic Competition Plans: Airports support almost of all of what was enacted in AIR-21. However, we hope this committee will revisit the section on "competition plans" when it considers the next FAA reauthorization bill. AIR-21 included a provision that prevents certain large- and medium-hub airports from receiving AIP funds or collecting new PFCs unless they file competition plans with DOT.

According to the report accompanying the House version of the legislation, the purpose of that provision was to require airports to demonstrate how they would provide access to new entrant carriers and allow incumbent carriers to expand. Like the members of this committee, airports want more competition – not less. There isn't a day that goes by that airport operators are not thinking about how they can expand service to their community. Airports realize that competition is the key to their efforts to both develop air service and to hold fares at reasonable levels for their passengers.

The provision in AIR-21 that requires airports to file competition plans is unnecessary, burdensome and may have resulted in some unintended consequences. For example, FAA issued a revised 15-page Program Guidance Letter in November that tells airports that the agency expects detailed information on some **60 items**. The agency, for instance, requests data on "local passengers, average passenger trip length, average passenger yield, and number of city-pair markets served disaggregated by distance (distinguishing between markets of 750 miles or less and markets over 750 miles)…." Some airports have informed us that the FAA treats these program guidance recommendations as requirements, even though most are inapplicable to most airports.

Most of this data that DOT now collects is difficult and expensive for airports to mine for useful information. According to a recent ACI-NA survey, it took some airports more than 200 hours and considerable cost to complete their competition plans. Moreover, some airports informed us that it took the FAA nine months to review their competition plans with little or no benefit provided to the traveling public.

While we understand the goal that Congress had in mind when it created this requirement, it has led to unintended and bureaucratic consequences with no material change in the airports must do their business and not demonstrable impact on competition. The current financial straights in which US airlines find themselves make such efforts even more superfluous.

We encourage you to eliminate the competition plan requirement when you consider the next FAA reauthorization bill. This is one positive provision to recognize the unique roles of airports and restore their rights, roles and responsibilities.

Reclassify Airport Bonds as Governmental: In addition to AIP funds and PFCs, airports generate revenue from bonds. Unfortunately, federal tax law unfairly classifies tens of billions of dollars in outstanding airport bonds as so-called "private activity" bonds. As a result, airport bond issuers are charged higher interest rates on their borrowing than they otherwise would pay and are unable to "advance refund" outstanding bonds to take advantage of lower interest rates. The current charges to airport users would be reduced to reflect these lower interest costs.

But, in addition, airports are public entities that serve a vital public purpose. That fact has been proven true repeatedly in the aftermath of the September 11th terrorist attacks. We believe that Congress should take steps to reclassify these airport bonds as "governmental." Doing so would save airports millions in financing costs and would allow airports to take full advantage of historically low interest rates in today's market to refinance outstanding debt. After September 11, Congress gave New York City similar authority, and billions of dollars were refinanced to the public's benefit.

PARTNER WITH AIRPORTS TO ENHANCE AVIATION SECURITY

Chip Barclay, the President of AAAE, recently testified before this committee on behalf of AAAE and ACI-NA regarding aviation security. During his opening comments, Mr. Barclay urged the Transportation Security Administration (TSA) to work with airports as partners rather than treat them like a privately regulated party. As he pointed out, airports are "TSA's partners with law enforcement powers and identical incentives to keep our citizens safe."

Mr. Barclay's comments go hand-in-hand with the remarks that I made at the beginning of my testimony about the need to protect and take advantage of the traditional roles and responsibilities of airports. As you begin considering the next FAA reauthorization bill, the key security recommendations that we outlined in that testimony are consistent with a partnership approach and are worth repeating.

Prevent AIP Funds From Being Drained for Security-Related Projects: DOT Inspector General Mead said that "striking a balance on how airport funds will be used for aviation system capacity, airport safety and security" will be another major issue for the next FAA reauthorization bill. He also pointed out that "continuing to use a significant portion of AIP funds and passenger facility charges (PFCs) on security projects will have an impact on airports' abilities to fund capacity projects."

We share Mr. Mead's concerns about who is going to pay for installing explosive detection systems (EDS) at airports and the potential impact that this could have on safety and security projects at airports. AAAE and ACI-NA have been making the case that airports should not be forced to choose between spending AIP funds on much-needed safety and capacity projects or on security-related projects mandated by the federal government. Even if we were faced with such a choice, there is simply an inadequate amount of revenue generated by the trust fund to finance EDS installation.

Unfortunately, as the GAO has made clear, current policy is forcing airports to choose between safety and capacity or security. In FY02, airports spent approximately $561 million in AIP to pay for security-related projects. This is ten times more than the $56 million that airports spent on security during the previous fiscal year. In other words, airports deferred more than $500 million in AIP funds to improve safety and capacity last year because there is not a separate source of funds available to pay for security-related construction projects. While this may have been justifiable for a year, it is not sustainable for the long-term if we prudently plan for future growth and manage current safety issues.

Congress has attempted to provide airports with at least some of the funding necessary to install EDS machines. The FY02 supplemental appropriations bill included $738 million for that purpose. Airports do not know how TSA has spent that $738 million to date, and we look forward to the results of the DOT Inspector General's review of the spending.

Even if the full $738 million were spent exactly as Congress intended, it still will not be enough to cover the costs of installing EDS machines behind the ticket counter and integrating them into baggage systems. Boeing estimates that this will cost $3 billion. Based on surveys conducted by ACI-NA, we think that cost could reach $5 billion.

I would like to stress that installing EDS machines behind the ticket counter is not for aesthetic purposes as some have suggested. At many of the 429 commercial service airports, TSA temporarily installed EDS machines in crowded airport lobbies in an effort to meet the December 31, 2002 deadline for screening all checked baggage. But keeping these EDS machines in airport lobbies rather than integrating them into baggage systems behind ticket counters has created numerous problems that go well beyond aesthetics.

DOT Inspector General Mead pointed out recently that the only way you can efficiently screen 100 percent of the baggage for explosives at large airports is by integrating EDS machines into baggage systems. Second, leaving EDS machines in airport lobbies results in less productive use of machines, requires more TSA staff to operate them and causes passengers to spend longer times at ticket counters, creating unnecessary security and safety risks. Airports around the world have many years of experience with the risks associated with the concentration of large numbers of people at the front of the terminal.

On a related issue, we must also strive to reduce the so-called “hassle factor” that is exacerbated when passengers are forced to wait in several queues at the ticket counter even before they even reach the security checkpoint and the airline gate. This may seem insignificant, but the “hassle factor” is just one more reason why some passengers have simply avoided flying altogether since September 11.

Reimburse Airports for New Security Requirements: In addition to new construction costs associated with installing EDS machines, airports are now paying for new operational security costs. After the terrorist attacks on September 11, the FAA and later the TSA required airports to deploy additional law enforcement personnel, enhance

airport surveillance and revalidate all airport-issued identification. For the last two years, this has resulted in a 38 percent increase in airport operational security costs.

Congress authorized $1.5 billion in FY02 and FY03 to reimburse airports for these additional security mandates as part of the aviation security bill. Unfortunately, airports did not receive the necessary appropriations. As part of the FY02 Department of Defense appropriations bill, which included emergency funding for other agencies, Congress approved $175 million to reimburse airports for new security requirements. Airports, however, submitted approximately $445 million in requests that the FAA deemed acceptable leaving about a $270 million shortfall.

Congress approved an additional $150 million in the FY02 supplemental appropriations bill to reimburse airports for their operational costs. However, Congress designated those as contingent emergency funds, and the President ultimately decided not to spend $5.1 billion in the bill including the $150 million that was slated to go to airports.

Moreover, security costs are escalating again as airports respond to a higher threat level that has been in place since February 7. The orange threat level forces some airports to close parking, conduct more random vehicle searches and deploy more law enforcement officers. It is unclear how long the higher threat level will be in place; however, it could continue for some time especially if the United States goes to war with Iraq.

Since the previous authorization of $1.5 billion expires in FY03, we encourage this committee, as part of the next FAA reauthorization, to authorize $500 million per year to reimburse airports for new security requirements, such as deploying additional law enforcement officers. These new security requirements are federal national security mandates, and airports should be reimbursed for the cost of implementing them. Without reimbursement from the federal government, airports will have no other choice than to pass those additional costs on to the array of airport users, including in large part, the airlines that are facing their own financial challenges.

Require FAA and TSA to Pay for Space the Agencies Use at Airports: The FY02 omnibus appropriations bill also includes a provision that requires FAA and TSA to pay for the space the agencies use at airports. It precludes the use of space at security checkpoints that airports provide to TSA without cost. With TSA deploying some 62,000 federal screeners at airports around the country, the agency has requested significant amounts of space at airports for employee training, office space, break rooms and other purposes. It is only fair that FAA and TSA – like other airport tenants who occupy space for which airports incur the cost of construction and maintenance – should be required to pay for the space they use. In addition, we share the DOT Inspector General's view that the new Department of Homeland Security should make every effort to consolidate airport facilities with other federal tenants.

We are pleased that the Administration's FY04 budget request includes a general provision that would require FAA to pay for the space the agency uses at airports. Although Congress has supported airports on this issue in the appropriations process, we

encourage this committee to include a provision in the next FAA reauthorization bill that will require FAA and TSA to pay for the space the agencies use at airports.

Allow Airports to Make Decisions About Parking: TSA has asserted that it has the authority to determine whether vehicles should be allowed to park within 300 feet of airport terminals. This issue of the "300 foot rule" has been a source of continuing friction between TSA, airports and the traveling public.

While TSA has made some improvements recently, we strongly believe that airports are able to make their own decisions about parking near their terminals after they consult with their Federal Security Directors and with other state and local law enforcement authorities. The federal government does not dictate to local governments on how they protect shopping malls, office buildings, schools, museums or sports stadiums. The non-aeronautical areas of airports should not be treated any differently.

Use New Technology to Enhance Security and Expedite the Processing of Passengers: Just a few days after the terrorist attacks, DOT Secretary Norman Mineta formed two teams to examine ways to improve airport and aircraft safety. The Rapid Response Team on Airport Security recommended that new technologies should be used at airports to identify passengers, workers and crews. The team also concluded that there is an urgent need to establish a nationwide program of voluntary pre-screening of passengers, together with the issuance of "smart" credentials to expedite the processing of passengers.

We cannot run an efficient public transportation system if we try to treat all 700 million passengers a year like potential terrorists. We need a voluntary system that allows frequent travelers to provide enough information on themselves, so government and industry can agree they belong in a "low-risk" pool.

The aviation security bill that Congress passed last year called on DOT to study options for improving positive identification for passengers including the use of biometrics and smart cards. We encourage this committee to take additional steps toward deploying new technologies when it considers the next FAA reauthorization bill.

Allow Airports to Continue to Control Perimeter Security: Airports should continue to be responsible for maintaining perimeter security. Again, this relates to the proper relationship between airports and the federal government that I discussed at the beginning of my statement. Providing perimeter security is inherently an airport responsibility. We strongly encourage this committee to ensure that airports continue to control the perimeter around their facilities.

Require TSA to Conduct Regulatory Burden Tests Like Other Federal Agencies: Airports understand that there are times when TSA must issue emergency directives that don't fall under the typical Federal Register process required of other federal agencies. Nevertheless, that does not justify TSA issuing operational directives that duplicate airport-center responsibilities. At the very least, TSA should have to spell out why they need to intrude on a traditional local government, airport responsibility and share

proposed operational requirements with airport operators. Too often, representatives of airports have either not been briefed or given so little time to respond that it is clear that the input was pro-forma rather than designed for true interchange among partners.

Reimburse Airlines for New Security Costs: When he testified before the Senate Commerce Subcommittee on Aviation on February 12, James May, the new President and CEO of the Air Transport Association, argued that "Congress must establish and enforce an unalterable policy that aviation security is the responsibility of the federal government." Airports, too, agree that paying for this national security need should be the responsibility of the federal government. Airports have a symbiotic relationship with airlines, and we want the airlines to succeed. We hope that Congress will consider authorizing funds from the general treasury to reimburse carriers for their new security costs just as we are asking you to reimburse airports for our new capital and operational security costs.

IMPROVE AIR SERVICE TO SMALL COMMUNITIES

Since Congress deregulated the airline industry in 1978, it has been difficult for many small communities to retain and attract new commercial air service. The terrorist attacks on September 11 and the downturn in the economy have made that challenge even more difficult. Airline passenger traffic has declined, and airlines responded by cutting capacity and service to less profitable small communities.

In March 2002, the GAO reported that the total number of daily departures from airports in small communities that it studied declined by almost 20 percent between October 2000 and October 2001. Moreover, the agency found that the number of small communities served by only one airline increased to 47 percent during the same time period. The GAO pointed out that when one or more airlines pulled out of some small communities, passengers lost connecting service destinations and became more vulnerable to noncompetitive pricing.

The DOT Inspector General also found that non-hub airports have been disproportionately losing access to large airports. According to the DOT Inspector General, direct service from non-hub airports in small communities to the largest 31 airports declined by approximately 17 percent between September 2000 and September 2002. By contrast, access from medium and large airports to the largest 31 airports declined by 5 to 10 percent during the same period.

Unfortunately for many small communities around the country, it doesn't appear that it will be any easier for them to attract new commercial air service any time soon. As I noted earlier in my testimony, two major airlines have already filed for bankruptcy and other airlines may not be far behind. This would likely place even more pressure on airlines to reduce capacity and cut service to small communities.

All sizes of airports have adversely affected by the economic downturn and by the terrorist attacks on September 11. But it is clear from reports issued by the GAO and

DOT Inspector General that small communities have suffered greatly. The challenge for this committee will be to preserve air service to small communities when it considers the next FAA reauthorization bill. AAAE and ACI-NA have a few recommendations on how to improve air service to small communities.

Expand the Small Community Air Service Development Pilot Program: On behalf of small airports around the country, AAAE and ACI-NA would like to thank the members of this committee for creating the Small Community Air Service Development Pilot Program in AIR-21. Although that program has been up and running for less than a year, we are confident that it will help improve air service to airports that suffer from infrequent service and high airfares as Congress intended.

As all of you know, AIR-21 authorized $20 million for the program in FY01 and $27.5 million in FY02 and FY03. After Congress appropriated $20 million for the program as part of the FY02 DOT Appropriations bill, DOT selected 40 communities from 38 states to participate in the program.

The program was extraordinarily successful, reflecting the pent-up demand for creative solutions. Unfortunately, however, 139 communities that applied for funds did not receive any. As we expected, the demand for grants far exceeded the $20 million that Congress appropriated for the program in the FY02 DOT appropriations bill. The fact that DOT received 179 proposals requesting more than $142 million underscores how much interest there is in this program.

Congress should be commended for appropriating another $20 million for the Small Community Air Service Development Pilot Program in the FY03 omnibus appropriations bill. However, given the number of communities that applied for funds from this program and the continuing reduction in air service to small communities, we urge this committee to consider making a greater investment in the Small Community Air Service Development Program. We urge you to approve a major increase in funding for the Small Community Air Service Development Program that reflects current demand.

Maintain the Essential Air Service Program: The Essential Air Service (EAS) program is another program that has helped small communities for many years. Congress created the program in an effort to ensure that certain small communities would continue to receive commercial service after it deregulated the airline industry. The EAS program has suffered in recent years from irregular funding and at times unreliable service from carriers facing higher operating costs.

We encourage Congress to improve the Essential Air Service program rather than let it die on the vine as the Administration is proposing. The Administration's budget request includes only $50 million for the EAS program – $65 million less than the amount that Congress approved for the program as part of the FY03 omnibus appropriations bill. The President's request calls on local communities to provide up to a 25 percent matching share.

Like the federal government, state and local governments have been hard hit by the downturn in the economy and the attacks on September 11. Some communities simply do not have the resources to come up with the local match required under the Administration's proposal. With small communities being disproportionately hit by the industry's economic declines, now is the time to step up our efforts to help small communities – not abandon them and prevent people from having access to the air transportation system simply because the live in a small community. Access is one of the most vital ingredients of the public purposes served by our national aviation system.

Invest in the FAA's Contract Tower Program: Another program that has improved service and safety at airports in small communities is the FAA's Contract Tower Program. This program, which is endorsed by the DOT Inspector General, has been in place since 1982 and currently provides for the cost-effective operation of air traffic control towers at 219 smaller airports in 46 states.

With help from this committee, AIR-21 created the Contract Tower Cost Share Program, which allows more than 30 airports that fall slightly below the eligibility criteria to participate in the program if they provide local funds. We recommend that this committee authorize $8 million for the Contract Tower Cost Share Program per year to allow additional airports to participate in the program and improve air traffic safety at their facilities.

PREVENT FUTURE DELAYS BY INCREASING AVIATION CAPACITY

Two years ago, the biggest issue facing the aviation industry seemed to be a combination of diminishing capacity and increasing number of flight delays and cancellations. In 2000, one in four flights were delayed, cancelled or diverted affecting some 163 million passengers. AAAE and ACI-NA responded by developing the Expedited Airport System Enhancement (EASE) – an initiative to expedite the review and approval process for projects that would enhance capacity and reduce delays at the nation's busiest airports.

For instance, we called for a coordinated federal review of critical national airport capacity enhancement projects and recommended that the list of categorical exclusions be expanded. We also suggested that airports should be allowed to provide funds to the FAA to hire additional, project-specific staff and consultants to expedite the review of critical capacity projects.

On behalf of airports around the country, we want to thank the members of the Senate Commerce Committee for the significant progress you have made on project streamlining in the past two years. We would particularly like to thank Sen. Hutchison and Sen. Rockefeller for sponsoring S. 633, the Aviation Delay Prevention Act. And we thank the rest of the Senate Commerce Committee for approving this bill in 2001.

I commented earlier about the need to protect the roles and responsibilities of airports. With that in mind, we urge you to reconsider a provision in S. 633 that would prevent certain airports from receiving AIP funds and collecting new PFCs if they "decline to

undertake expansion." This proposed penalty is unnecessary and wrongly suggests that airports somehow desire fewer runways, less capacity and more delays. Nothing could be further from the truth.

Airports around the country are exceptionally frustrated by the fact that it often takes them 10 to 15 years to construct a new runway, and that is why we are seeking legislative assistance. We hope that this committee will revisit this unnecessary provision in the next FAA reauthorization bill.

Despite the welcome progress that this committee has made in the past two years on project-streamlining, Congress was unable to send a bill to the President's desk before the 107th Congress adjourned. We hope Congress will pick up where it left off last year and pass a stand-alone, project-streamlining bill soon. If necessary, we encourage members of this committee to include project-streamlining provisions in the next FAA reauthorization bill.

Chairman Lott, Ranking Member Rockefeller and members of the Senate Commerce Subcommittee on Aviation, thank you for inviting me to participate in today's hearing on airport financing. All of us at ACI-NA and AAAE look forward to working with you during the 108th Congress as you consider the next FAA reauthorization bill.